

**ANNUAL  
FINANCIAL REPORT  
OF THE  
CITY OF LE MARS, IOWA  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

Prepared by the  
Finance Department  
Bill Cole, Finance Director

CITY OF LE MARS, IOWA  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012  
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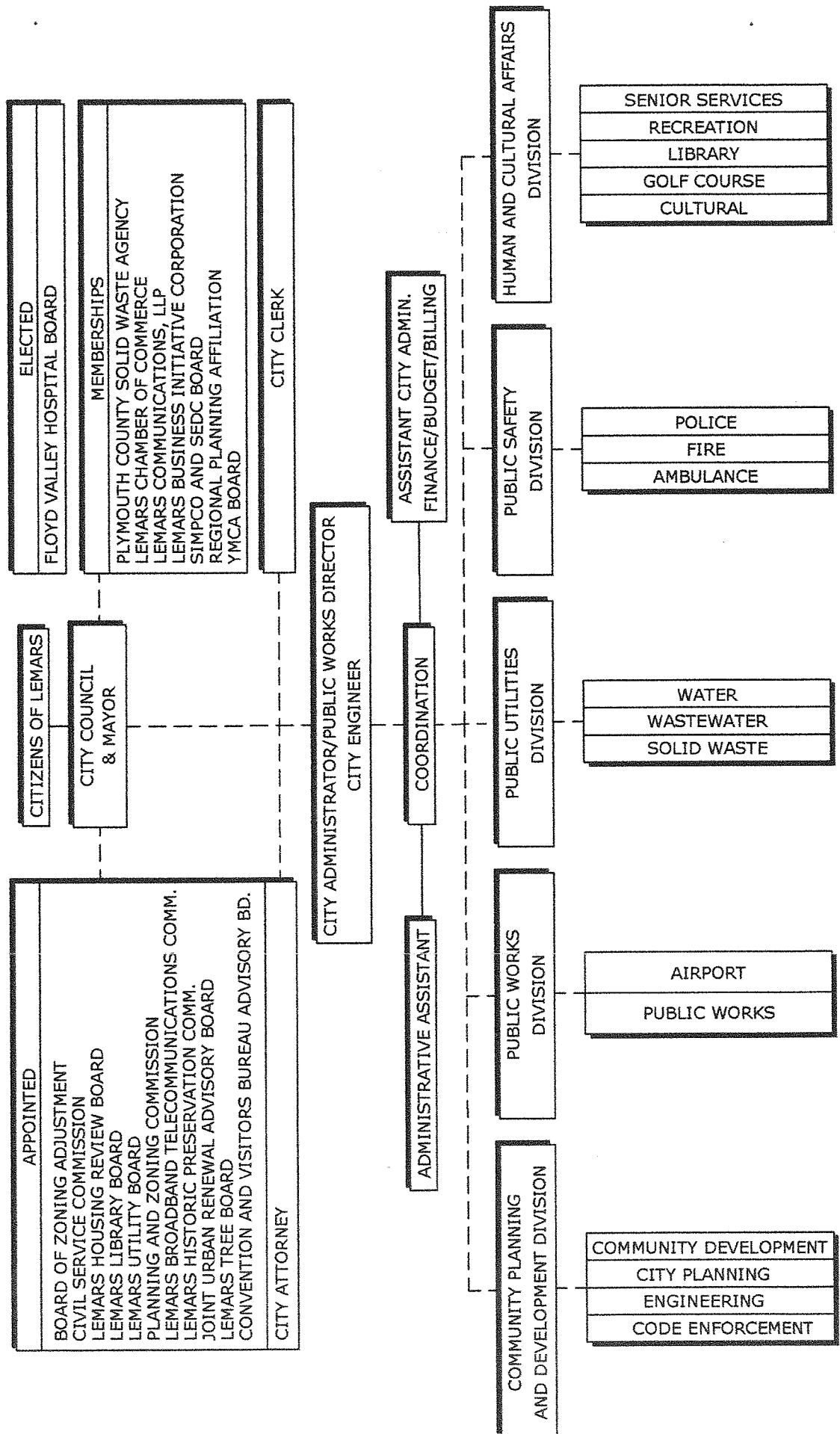
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# APPENDIX B CITY OF LEMARS, IOWA ORGANIZATIONAL CHART



# CITY OF LE MARS

## List of Principal Officials June 30, 2012

Title	Name
Mayor .....	Dick Kirchoff
Council Member and Mayor Pro-Tem .....	Rex Knapp
Council Member.....	John Leonard
Council Member.....	Delana Ihrke
Council Member.....	Kenneth Nelson
Council Member.....	John Rexwinkel
City Clerk/Treasurer.....	Beverly Langel
City Attorney .....	Joseph Flannery
City Administrator/Public Works Director/City Engineer.....	Scott Langel
Assistant City Administrator/Finance Director .....	Bill Cole
Code Enforcement Officer .....	Jason Vacura
Chief of Police.....	Stuart Dekkenga
Fire Chief .....	David Schipper
Wastewater Superintendent .....	Ron Kayser
Assistant Wastewater Superintendent.....	William Morgan
Water Superintendent.....	Gayle Sitzmann
Mapping Manager .....	James Conley
Ambulance Director .....	Bill Rosacker
Golf Course Manager .....	Doug Schultz
Library Director .....	Susan Kroesche
Airport Manager .....	Earl Draayer
Public Works Superintendent .....	Steve Hansen
Assistant Public Works Superintendent.....	Brad Eppling



21 1<sup>st</sup> Avenue NW  
P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543  
[www.williamscpas.com](http://www.williamscpas.com)

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council  
City of Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Le Mars, Iowa, (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit), which statements reflect total assets of \$28,309,588 as of June 30, 2012, and total program revenues of \$31,476,482 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2013 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the retiree health plan, and budgetary comparison information on pages 5 through 14 and 58 through 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements, and supplementary statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 22, 2013

## Management Discussion and Analysis

June 30, 2012

This discussion and analysis of the City of Le Mars financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2012. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in the City's financial statements that follow this report, as well as the separately issued financial statements of Floyd Valley Hospital, a discretely presented component unit of the City.

### Financial Highlights:

- The assets of the City of Le Mars exceeded liabilities at June 30, 2012, by \$54,185,856. Of this amount, \$5,723,213 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$5,121,790 during the year. Of this amount, the assets of our Governmental Activities increased \$3,327,563 and the assets of our Business-Type Activities increased \$1,794,227.
- The largest factor in the increase in net assets was the amount by which capital outlays exceeded depreciation in the current period. In fiscal year 2012, that excess was \$585,721.

The City's General Obligation debt increased by \$3,969,000 during fiscal year 2012, making the General Obligation debt \$13,322,000 at year end. This increase is the result of the City issuing Series 2011 crossover advance refunding bonds in fiscal year 2012 that will not crossover until fiscal year 2013. The City Revenue Bond debt decreased by \$1,208,000 during fiscal year 2012, making the Revenue Bond debt \$8,152,000 at year end. This decrease is a result of the annual amortization of the debt and the fact that the City was able to retire additional Revenue debt early.

## OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

## REPORTING THE CITY AS A WHOLE

### The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Le Mars in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answers this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is



improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Water, Sewer, Solid Waste and Golf Course funds.

## REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## THE CITY AS TRUSTEE

### Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

## THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparison chart show the changes in net assets for the years ended June 30, 2012 and 2011.

	General Governmental Activities		Business Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$19,043,231	\$12,072,629	\$6,324,258	\$4,526,396	\$25,367,489	\$16,599,025
Capital Assets	30,199,860	29,644,889	30,711,603	31,695,830	60,911,463	61,340,719
Total Assets	49,243,091	41,717,518	37,035,861	36,222,226	86,278,952	77,939,744
Long-Term Liabilities Outstanding	13,047,230	9,277,537	9,811,711	10,804,871	22,858,941	20,082,408
Other Liabilities	9,033,519	8,605,202	200,636	188,068	9,234,155	8,793,270
Total Liabilities	22,080,749	17,882,739	10,012,347	10,992,939	32,093,096	28,875,678
Net Assets:						
Invested in Capital Assets, Net of Related Debt	24,247,541	22,510,760	21,065,331	21,090,799	45,312,872	43,601,559
Restricted	3,149,771	2,121,473			3,149,771	2,121,473
Unrestricted	(234,970)	(797,454)	5,958,183	4,138,488	5,723,213	3,341,034
Total Net Assets	\$27,162,342	\$23,834,779	\$27,023,514	\$25,229,287	\$54,185,856	\$49,064,066

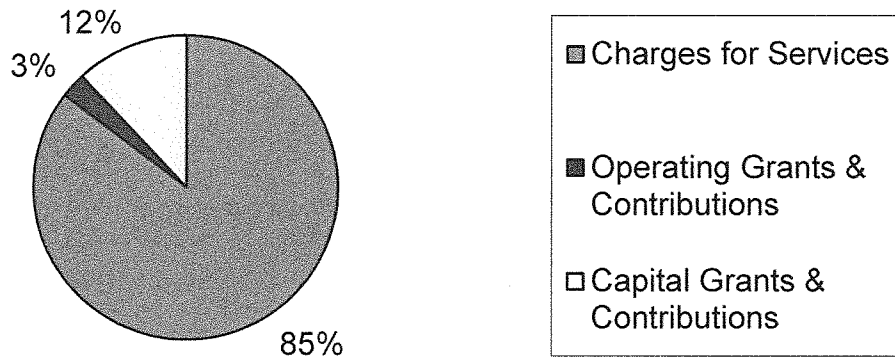
This summary reflects an increase of total net assets of 13.96% for the governmental activities and an increase of 7.11% in the business-type activities.

Total revenue reported in Fiscal 2012 was \$20,289,332. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2012 and 2011:

Revenue Source	General Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	\$2,307,113	\$1,262,777	\$5,833,018	\$5,588,566	\$8,140,131	\$6,851,343
Operating Grants and Contributions	255,553	1,036,137	-	-	255,553	1,036,137
Capital Grants and Contributions	1,141,508	606,192	-	-	1,141,508	606,192
Total Program Revenues	3,704,174	2,905,106	5,833,018	5,588,566	9,537,192	8,493,672
General Revenues & Interfund Transfers:						
Property Taxes	9,241,311	8,514,709	-	-	9,241,311	8,514,709
Local Option Sales Tax	988,790	892,133	-	-	988,790	892,133
Hotel/Motel Taxes	130,312	109,228	-	-	130,312	109,228
Interest	48,900	50,682	21,024	15,435	69,924	66,117
Revenue from Use of Property	3,600	3,240	-	-	3,600	3,240
Sale of Non-Capitalized Assets	12,583	3,200	-	-	12,583	3,200
Miscellaneous	284,458	195,801	21,162	73,440	305,620	269,241
Total General Revenues	10,709,954	9,768,993	42,186	88,875	10,752,140	9,857,868
Interfund Transfers	(1,324,241)	(1,098,114)	1,324,241	1,098,114	-	-
Total Revenues & Interfund Transfers	\$13,089,887	\$11,575,985	\$7,199,445	\$6,775,555	\$20,289,332	\$18,351,540

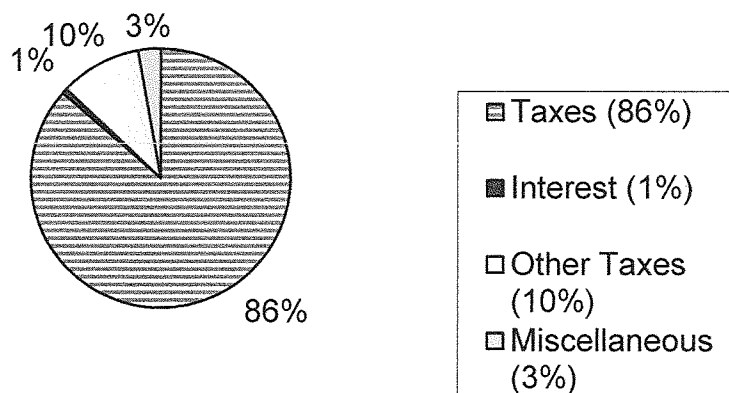
Program revenues totaled \$9,537,192 for fiscal year 2012. Governmental Activities provided \$3,704,174 and Business-Type Activities provided \$5,833,018. Revenue collected for Charges for Services during fiscal year 2012 was \$8,140,131, accounting for 85% of the total program revenues. The following chart breaks down program revenues by source:

**Program Revenues**



General Revenues for fiscal year 2012 totaled \$10,752,140. Governmental Activities provided \$10,709,954 and Business-Type Activities provided \$42,186. Property Tax Revenues for fiscal year 2012 totaled \$9,241,311, accounting for 86% of General Revenues. The following chart breaks down General Revenues by source:

**General Revenues**



Expenses for fiscal year 2012 totaled \$15,167,542. Expenses for General Governmental Activities totaled \$9,762,324, accounting for 64% of total expenses. Business-Type Activity expenses totaled \$5,405,218, for 36% of the total.

The following table shows total expenses by Function/Program for fiscal years 2012 and 2011:

Program Level	General Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Public Safety	\$2,489,516	\$2,372,279	\$ -	\$ -	\$2,489,516	\$2,372,279
Public Works	3,026,754	2,957,254	-	-	3,026,754	2,957,254
Culture and Recreation	1,875,056	1,678,953	-	-	1,875,056	1,678,953
Community and Economic Development	882,306	852,673	-	-	882,306	852,673
General Government	1,109,920	1,403,529	-	-	1,109,920	1,403,529
Debt Service	378,772	373,133	-	-	378,772	373,133
Sewer System	-	-	2,476,063	2,549,162	2,476,063	2,549,162
Water System	-	-	1,857,707	1,892,358	1,857,707	1,892,358
Solid Waste	-	-	558,064	622,518	558,064	622,518
Golf Course	-	-	462,066	454,579	462,066	454,579
Storm Sewer	-	-	51,318	30,266	51,318	30,266
Total Expenditures	<u>\$9,762,324</u>	<u>\$9,637,821</u>	<u>\$5,405,218</u>	<u>\$5,548,883</u>	<u>\$15,167,542</u>	<u>\$15,186,704</u>

The following table shows the activities included within each program level:

Program Level	Activity
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning & Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest and principal of outstanding debt
Sewer System	Operation of the waste water treatment plant
Water System	Operation of the waste water treatment plant
Solid Waste	Operation of garbage collection and disposal
Golf Course	Operation of Golf Course
Storm Sewer	Collection of charged fees and maintenance of system

## Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$2,489,516 and received \$640,161 in revenue, thus leaving a cost to the taxpayer of \$1,849,355 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid,
General Government	Licenses, Permits

The total cost of governmental activities this year was \$9,762,324. Of these costs, \$2,307,113 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$1,397,061, leaving a Net Expense of \$6,058,150 for Governmental Activities. These expenses of \$6,058,150 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	<u>2012</u>	<u>2011</u>
Governmental Activities:		
Public Safety	(\$1,849,355)	(\$1,689,365)
Public Works	(956,368)	(1,613,334)
Culture and Recreation	(1,144,602)	(978,360)
Community and Economic Development	(793,242)	(758,979)
General Government	(935,811)	(1,319,544)
Debt Service	(378,772)	(373,133)
Total Net (Expense) Governmental Activities	(6,058,150)	(6,732,715)
General Revenues	10,709,954	9,768,993
Excess of revenues over expenses	4,651,804	3,036,278
Interfund Transfers	(1,324,241)	(1,098,114)
Change in Net Assets	<u>\$3,327,563</u>	<u>\$1,938,164</u>

Total resources available during the year to finance governmental operations were \$36,924,666, consisting of Net Assets at July 1, 2011 of \$23,834,779, Program Revenues of \$3,704,174, General Revenues of \$10,709,954, and interfund transfers of (\$1,324,241). Total Governmental Activities during the year expended \$9,762,324; thus, Net Assets were increased by \$3,327,563 to \$27,162,342 at June 30, 2012.

## Business Type Activities

Business Type Activities increased the City's net assets by \$1,794,227.

The cost of all Proprietary Activities this year was \$5,405,218. As shown in the Statement of Activities, the amount paid by users of the systems was \$5,833,018. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$0. This resulted in total Net Revenue for Business Type Activities of \$427,800. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2012	2011
Sewer System	\$229,327	\$206,648
Water System	10,659	(250,179)
Solid Waste	80,322	(5,478)
Golf Course	(54,306)	(88,015)
Storm Sewer	161,798	176,707
<b>Total Net Revenue (Expense)</b>		
<b>Business Type Activities</b>	427,800	39,683
General Revenues	42,186	88,875
<b>Excess of revenues over expenses</b>	469,986	128,558
Interfund Transfers	1,324,241	1,098,114
<b>Change in Net Assets</b>	<b>\$1,794,227</b>	<b>\$1,226,672</b>

Total resources available during the year to finance Proprietary Fund activities were \$32,428,732, consisting of Net Assets at July 1, 2011 of \$25,229,287, Program Revenues of \$5,833,018, General Revenues of \$42,186 and interfund transfers of \$1,324,241. Total Proprietary Fund Activities during the year expended \$5,405,218; thus Net Assets were increased to \$27,023,514.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$9,508,562. The combined Governmental Funds fund balance increased \$6,488,091 from the prior year. This is primarily the result of the crossover refunding dollars held in escrow at year end.

The General Fund is the primary operating fund of the City. During the year, the net change in fund balance in the General Fund was \$101,934. The unassigned fund balance of \$2,008,218 represents 119 days of coverage.

## BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

Disbursements	Amended Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Public Safety	\$ 2,395,179	\$ 2,365,567	\$ 29,612
Public Works	849,102	828,981	20,121
Culture and Recreation	1,716,287	1,774,722	(58,435)
Community and Economic Development	570,927	494,207	76,720
General Government	1,189,679	1,066,274	123,405
Debt Service	1,524,885	1,564,281	(39,396)
Capital Projects	4,014,626	3,095,528	919,098
Business Type/Enterprise	40,610,725	35,555,365	5,055,360
Total	\$ 52,871,410	\$ 46,744,925	\$ 6,126,485

Budget results were all favorable in the current year. The City made one budget amendment during the year and the budgeted amounts to actual results were very comparable. The two functions with material variances were the capital projects and business-type functions. The capital project variance was due to timing differences, where projects were budgeted, but expenses had not yet been incurred on them. The variance for business type was due to Floyd Valley Hospital activity, a component unit of the City.

## CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, storm sewer systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2012, was \$45,312,872 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2012 are as follows:

	General Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ -	\$ 66,501	\$ -	\$ -	\$ -	\$ 66,501
Infrastructure	1,346,468	2,379,008	139,778	-	1,486,246	2,379,008
Buildings	248,875	79,413	-	-	248,875	79,413
Improvements -						
Other than Buildings	657,876	8,311	434,999	606,407	1,092,875	614,718
Equipment	178,083	411,820	60,978	138,403	239,061	550,223
Construction in Progress	2,062,307	1,497,531	216,197	373,613	2,278,504	1,871,144
Total Gross Additions	\$4,493,609	\$4,442,584	\$851,952	\$1,118,423	\$5,345,561	\$ 5,561,007

Construction in Progress at June 30, 2012 for the governmental activities consisted of costs associated with numerous street and infrastructure additions and improvements.

For Business-Type Activities, the Construction in progress at June 30, 2012 consisted of costs associated with the water main extension and storm sewer improvements.

See Note 6 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end the City had \$21,474,000 of debt outstanding. This is an increase of \$2,741,000 from the prior year. This increase is the result of the normal annual debt amortization, early retirement of debt during fiscal year 2012, and the crossover refunding done in October 2011 which will not cross over until fiscal year 2013. (see Note 7).

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. The City's debt capacity is \$34,769,872. With outstanding General Obligation Debt applicable to this limit of \$13,322,000, less amounts available for debt service of \$6,015,459, we are utilizing 21% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

## **ECONOMIC FACTORS**

The City of Le Mars economy continued to be strong during Fiscal Year 2012. Many of the business expansions mentioned in last year's Management Discussion and Analysis were completed and became operational during Fiscal Year 2012. In addition, several new expansions were started and completed including Fedders Marine & RV, Inc.; Fastenal of Le Mars and Habitude' Coffee House & Creperie.

Housing starts have increased significantly including new, additions, and renovations. To encourage housing growth, the City initiated a Housing Tax Exemption Program allowing up to \$75,000 of increased value to be exempt for taxes for up to five (5) years. City officials conducted meetings with developers, builders, realtors, bankers and related parties to find ways to encourage more residential growth.

Council ratification of the Water Facility Plan, the Wastewater Facility Plan and the Joint City/County Land Use Plan occurred in Fiscal Year 2012. An Airport Master Plan was started. As the City continued its Comprehensive Community Planning process, the Municipal Hospital began a Master Plan for consolidating its buildings, equipment and related facilities.

Future Capital Projects for the City include:

- Expansion of Wastewater Treatment Plant
- Construct New Industrial Wastewater Treatment Plant
- Install New Lift Stations and Force Mains
- Expansion of Water High Service Pumps
- Expansion of High Elevation Booster Station
- Construct New 1.0 Million Gallon Water Tower
- Construct Infrastructure for New Industrial Park
- Expand City Railroad Track to South
- Expand City Library
- Expand Police Station
- Assist Downtown Revitalization
- Assist Floyd Valley Hospital Expansion
- Obtain Approval of Airport Expansion



Numerous activities are under way to accomplish these future projects including engineering, design, funding, acquisitions and rate modifications. These projects will allow the City to keep pace with the industrial, commercial and residential growth.

The City of Le Mars will continue to use public/private partnerships to manage and coordinate the growth and will use County, State and Federal sources of financial assistance to help fund our infrastructure needs.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-546-7018.

**CITY OF LE MARS, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Floyd Valley Hospital
	Activities	Activities		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,883,690	\$ 5,429,027	\$ 8,312,717	\$ 4,310,827
Investments	144,199	-	144,199	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	184,486	351,978	536,464	3,941,651
Taxes	74,566	-	74,566	-
Subsequent Year Taxes	8,228,874	-	8,228,874	-
Accrued Interest	1,808	-	1,808	-
Other	-	-	-	344,022
Estimated Unbilled Usage	-	330,634	330,634	-
Special Assessments	76,955	-	76,955	-
Pledges Receivable	51,600	-	51,600	-
Notes Receivable	1,208,758	-	1,208,758	-
Internal Balances	120,277	(120,277)	-	-
Due from Other Governmental Agencies	822,283	-	822,283	-
Inventories	-	159,752	159,752	420,079
Land Held for Resale	205,571	-	205,571	-
Prepaid Assets	54,719	25,751	80,470	222,087
Other	-	-	-	601,594
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	3,002,895
Investments	4,804,856	-	4,804,856	4,454,955
Accrued Interest Receivable	-	-	-	4,079
Bond Issue Costs	180,589	147,393	327,982	-
Land	1,331,342	1,308,313	2,639,655	185,160
Construction in Progress	1,191,383	192,701	1,384,084	362,854
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	27,677,135	29,210,589	56,887,724	10,459,385
<b>Total Assets</b>	<b>49,243,091</b>	<b>37,035,861</b>	<b>86,278,952</b>	<b>28,309,588</b>
<b>LIABILITIES</b>				
Accounts Payable	562,642	101,986	664,628	2,823,570
Accrued Wages	122,701	38,355	161,056	1,261,085
Accrued Interest	22,826	23,488	46,314	36,663
Accrued Expenses	96,476	28,107	124,583	559,494
Unearned Revenue	-	8,700	8,700	-
Deferred Revenue - Subsequent Year Taxes	8,228,874	-	8,228,874	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	752,000	752,000	357,000
General Obligation Bonds	758,000	255,000	1,013,000	-
Capital Lease	49,883	59,671	109,554	-
Compensated Absences and Benefits	165,377	33,088	198,465	-
Due in more than one year:				
Revenue Bonds Payable	-	7,400,000	7,400,000	3,767,500
General Obligation Bonds	11,151,090	1,193,365	12,344,455	-
Capital Lease	200,346	36,236	236,582	-
Compensated Absences and Benefits, Long-Term	655,550	132,351	787,901	-
Net OPEB Liability	66,984	-	66,984	-
<b>Total Liabilities</b>	<b>22,080,749</b>	<b>10,012,347</b>	<b>32,093,096</b>	<b>8,805,312</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	24,247,541	21,065,331	45,312,872	6,882,899
Restricted for:				
Specific Revenues	77,535	-	77,535	-
Debt Service	1,117,822	-	1,117,822	960,979
TIF	1,097,975	-	1,097,975	-
Road Use Tax	68,633	-	68,633	-
Local Option Sales Tax	407,433	-	407,433	-
Capital Improvements	236,090	-	236,090	-
Endowments:				
Nonexpendable	144,283	-	144,283	-
Unrestricted	(234,970)	5,958,183	5,723,213	11,660,398
<b>Total Net Assets</b>	<b>\$ 27,162,342</b>	<b>\$ 27,023,514</b>	<b>\$ 54,185,856</b>	<b>\$ 19,504,276</b>

**CITY OF LE MARS, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 2,489,516	\$ 493,506	\$ 102,075	\$ 44,580
Public Works	3,026,754	940,289	100,312	1,029,785
Culture and Recreation	1,875,056	694,788	35,666	-
Community and Economic Development	882,306	4,421	17,500	67,143
General Government	1,109,920	174,109	-	-
Interest Expense	378,772	-	-	-
Total governmental activities	<u>9,762,324</u>	<u>2,307,113</u>	<u>255,553</u>	<u>1,141,508</u>
<b>Business-Type Activities:</b>				
Golf Course	462,066	407,760	-	-
Water System	1,857,707	1,868,366	-	-
Sewer System	2,476,063	2,705,390	-	-
Solid Waste System	558,064	638,386	-	-
Storm Sewer System	51,318	213,116	-	-
Total Business-Type Activities:	<u>5,405,218</u>	<u>5,833,018</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>15,167,542</u>	<u>8,140,131</u>	<u>255,553</u>	<u>1,141,508</u>
<b>Component Unit:</b>				
Floyd Valley Hospital	<u>\$ 31,420,102</u>	<u>\$ 31,301,872</u>	<u>\$ 185</u>	<u>\$ 174,425</u>

**General Revenues:**

Property taxes  
Local Option Sales Tax  
Hotel/Motel Taxes  
Interest  
Use of Property  
Gain on Sale of Assets  
Refunds and Reimbursements  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
  
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit Floyd Valley Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (1,849,355)		\$ (1,849,355)	
(956,368)		(956,368)	
(1,144,602)		(1,144,602)	
(793,242)		(793,242)	
(935,811)		(935,811)	
(378,772)		(378,772)	
<u>(6,058,150)</u>		<u>(6,058,150)</u>	
	\$ (54,306)	(54,306)	
	10,659	10,659	
	229,327	229,327	
	80,322	80,322	
	161,798	161,798	
	<u>427,800</u>	<u>427,800</u>	
<u>(6,058,150)</u>	<u>427,800</u>	<u>(5,630,350)</u>	
			\$ 56,380
9,241,311	-	9,241,311	-
988,790	-	988,790	-
130,312	-	130,312	-
48,900	21,024	69,924	198,601
3,600	-	3,600	-
12,583	-	12,583	-
267,647	18,862	286,509	-
16,811	2,300	19,111	-
(1,324,241)	1,324,241	-	-
<u>9,385,713</u>	<u>1,366,427</u>	<u>10,752,140</u>	<u>198,601</u>
3,327,563	1,794,227	5,121,790	254,981
23,834,779	25,229,287	49,064,066	19,249,295
<u>\$ 27,162,342</u>	<u>\$ 27,023,514</u>	<u>\$ 54,185,856</u>	<u>\$ 19,504,276</u>

CITY OF LE MARS, IOWA  
BALANCE SHEET  
Governmental Funds  
JUNE 30, 2012

	General	TIF	Debt Service	STP FHWA Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and Pooled Investments	\$ -	\$ -	\$ 754,785	\$ -	\$ 2,017,989	\$ 2,772,774
Investments	-	-	-	-	144,199	144,199
Receivables (Net, where applicable, of allowance for uncollectibles)						
Accounts	82,331	-	-	-	74,848	157,179
Taxes	27,227	38,941	4,232	-	4,166	74,566
Subsequent Year Taxes	3,458,532	3,756,805	423,379	-	590,158	8,228,874
Accrued Interest	-	-	-	-	1,808	1,808
Special Assessments	74,000	-	-	-	2,955	76,955
Pledges Receivable	-	-	-	-	51,600	51,600
Notes Receivable	114,000	-	-	-	1,094,758	1,208,758
Due from Other Funds	2,070,797	-	451,890	-	-	2,522,687
Due from Other Governmental Agencies	54,272	-	-	425,525	342,486	822,283
Land Held for Resale	205,571	-	-	-	-	205,571
Restricted Assets:						
Investments	-	-	4,804,856	-	-	4,804,856
<b>Total Assets</b>	<b>6,086,730</b>	<b>3,795,746</b>	<b>6,439,142</b>	<b>425,525</b>	<b>4,324,967</b>	<b>21,072,110</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable	94,228	-	-	382,679	85,735	562,642
Accrued Wages	122,701	-	-	-	-	122,701
Due to Other Funds	-	178,997	-	168,628	2,054,785	2,402,410
Deferred Revenue	81,991	5,443	304	-	157,694	245,432
Deferred Revenue - Subsequent Year Taxes	3,458,532	3,756,805	423,379	-	590,158	8,228,874
Compensated Absences & Benefits	1,489	-	-	-	-	1,489
<b>Total Liabilities</b>	<b>3,758,941</b>	<b>3,941,245</b>	<b>423,683</b>	<b>551,307</b>	<b>2,888,372</b>	<b>11,563,548</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Notes Receivable	114,000	-	-	-	939,758	1,053,758
Assets Held for Resale	205,571	-	-	-	-	205,571
Perpetual Care	-	-	-	-	144,283	144,283
<b>Restricted for:</b>						
Debt Service	-	-	6,015,459	-	-	6,015,459
Road Surface Repairs	-	-	-	-	68,633	68,633
Employee Benefits	-	-	-	-	55,590	55,590
Tax Increment Financing	-	-	-	-	1,097,975	1,097,975
Low-Moderate Income Project	-	-	-	-	61,707	61,707
Law Enforcement	-	-	-	-	4,915	4,915
Local Option Sales Tax	-	-	-	-	207,433	207,433
Tree Farm	-	-	-	-	14,415	14,415
<b>Assigned for:</b>						
Capital Improvement	-	-	-	-	236,090	236,090
Capital Improvement and Facilities	-	-	-	-	449,451	449,451
<b>Unassigned</b>	<b>2,008,218</b>	<b>(145,499)</b>	<b>-</b>	<b>(125,782)</b>	<b>(1,843,655)</b>	<b>(106,718)</b>
<b>Total Fund Balances (Deficits)</b>	<b>2,327,789</b>	<b>(145,499)</b>	<b>6,015,459</b>	<b>(125,782)</b>	<b>1,436,595</b>	<b>9,508,562</b>
<b>Total Liabilities and Equity</b>	<b>\$ 6,086,730</b>	<b>\$ 3,795,746</b>	<b>\$ 6,439,142</b>	<b>\$ 425,525</b>	<b>\$ 4,324,967</b>	<b>\$ 21,072,110</b>

**CITY OF LE MARS, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**For the Year Ended June 30, 2012**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 18)	\$	9,508,562
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds		30,199,860
The internal service fund is used by management to fund and maintain the City's health insurance provided to user departments and is included in the statement of net assets.		(25,237)
Deferred revenues that provide current financial resources for governmental activities.		245,432
Accrued expenses from the balance sheet that require current financial resources for governmental activities.		(22,826)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		180,589
Prepaid expenses that are reported in the governmental activities but not reported in the funds as they do not provide current economic resources.		54,719
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	\$	11,909,090
Capital Lease		250,229
Compensated Absences		819,438
		<u>(12,978,757)</u>
Total Net Assets - Governmental Activities (page 15)	\$	<u><u>27,162,342</u></u>

**CITY OF LE MARS, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	General	TIF	Debt Service
Revenue:			
Taxes	\$ 3,321,784	\$ 3,725,158	\$ 509,868
Other City Taxes	130,312	-	-
Special Assessments	-	-	-
Licenses and Permits	125,402	-	-
Intergovernmental Revenue	110,236	-	-
Charges for Services	868,439	-	-
Fines and Forfeits	31,158	-	-
Contributions	52,877	-	-
Refunds/Reimbursements	125,493	-	-
Rental Income	315,326	-	-
Interest	27,472	2,348	12,002
Miscellaneous	167	-	-
Total Revenue	5,108,666	3,727,506	521,870
Expenditures:			
Public Safety	2,139,922	-	-
Public Works	788,618	-	-
Culture and Recreation	1,812,192	-	-
Community and Economic Development	284,044	16,724	-
General Government	1,133,177	-	-
Capital Outlay	19,582	-	-
Debt Service	-	-	1,669,680
Total Expenditures	6,177,535	16,724	1,669,680
Excess (deficiency) of revenues over expenditures	(1,068,869)	3,710,782	(1,147,810)
Other financing sources (uses):			
Issuance of Refunding Debt	-	-	4,950,000
Issuance of Capital Lease	36,448	-	-
Proceeds from Sale of Assets	40,000	-	-
Transfers In	1,133,355	-	870,530
Transfers Out	(39,000)	(3,880,373)	-
Total other financing sources (uses)	1,170,803	(3,880,373)	5,820,530
Net Change in Fund Balance	101,934	(169,591)	4,672,720
Fund balances (deficits)-beginning of year	2,225,855	24,092	1,342,739
Fund balances (deficits)- end of year	\$ 2,327,789	\$ (145,499)	\$ 6,015,459

STP FHWA Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,683,933	\$ 9,240,743
-	988,790	1,119,102
-	5,200	5,200
-	-	125,402
818,548	1,253,368	2,182,152
-	1,848	870,287
-	-	31,158
-	54,763	107,640
-	158,268	283,761
-	3,600	318,926
-	6,506	48,328
-	50	217
818,548	4,156,326	14,332,916
-	215,728	2,355,650
-	-	788,618
-	7,615	1,819,807
-	497,966	798,734
-	-	1,133,177
1,233,351	1,920,644	3,173,577
-	20,000	1,689,680
1,233,351	2,661,953	11,759,243
(414,803)	1,494,373	2,573,673
-	-	4,950,000
-	-	36,448
-	-	40,000
687,083	1,545,293	4,236,261
-	(1,428,918)	(5,348,291)
687,083	116,375	3,914,418
272,280	1,610,748	6,488,091
(398,062)	(174,153)	3,020,471
\$ (125,782)	\$ 1,436,595	\$ 9,508,562



CITY OF LE MARS, IOWA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)	\$ 6,488,091
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,828,189	
Depreciation expense	<u>(2,242,468)</u>	585,721

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or (loss) on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities:	(30,750)
--	----------

Revenues from Long Term Pledge Receivables are deferred on the fund level statements until they are available to provide current financial resources, where on the government-wide statements there revenues were recorded in the year pledged. The net change in deferred pledge revenues and allowance for doubtful accounts was:	4,496
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Investment in Joint Venture does not require current financial resources, therefore, is not reported in the funds. This is the change in the equity investment for the year:	(113,020)
--	-----------

Revenues reported in the funds that are not available to provide current financial resources:	(23,862)
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Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources:	695
--	-----

Accrued interest expense that does not require current financial resources:	(1,685)
---	---------

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was:	(48,323)
---	----------

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities:	87,996
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The effect of bond issuance costs is shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities:	80,394
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The effect of bond premiums is shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and accreted in the Statement of Activities:	1,199
--	-------

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was:	(4,950,000)
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Capital Leases are shown as providing current financial resources to the governmental funds. The statement of activities does not reflect the proceeds from the issuance of a capital lease. The proceeds from the issuance of a capital lease for the year was:	(36,448)
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of New Assets. The principal paid on long-term debt during the current year was as follows:

Bonds payable	1,211,000	
Notes payable	20,000	
Lease obligations payable	<u>52,059</u>	1,283,059

Change in net assets of governmental activities (page 17)	<u>\$ 3,327,563</u>
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**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**Proprietary Funds**  
**JUNE 30, 2012**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,908,919	\$ 3,213,531
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	135,968	177,057
Estimated Unbilled Usage	77,341	222,877
Inventories	159,752	-
Prepaid Assets	8,048	16,094
Total Current Assets	<u>2,290,028</u>	<u>3,629,559</u>
Noncurrent Assets:		
Bond Issue Costs	50,717	96,676
Land	174,357	843,418
Construction in Progress	60,581	120,755
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,571,264	13,900,542
Total Noncurrent Assets	<u>11,856,919</u>	<u>14,961,391</u>
<b>Total Assets</b>	<u><b>14,146,947</b></u>	<u><b>18,590,950</b></u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	27,669	41,760
Accrued Wages	15,146	23,209
Accrued Revenue Bond Interest	9,120	14,368
Accrued Expenses	28,107	-
Due to Other Funds	87,405	-
Unearned Revenue	-	-
Revenue Bonds Payable- Current	369,000	383,000
General Obligation Bonds- Current	-	255,000
Capital Lease- Current	-	-
Compensated Absences and Benefits	21,721	11,367
Total Current Liabilities	<u>558,168</u>	<u>728,704</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds Payable	3,340,000	4,060,000
General Obligation Bonds	-	1,193,365
Capital Lease	-	-
Compensated Absences and Benefits	86,883	45,468
Net OPEB Liability	-	-
Total Noncurrent Liabilities	<u>3,426,883</u>	<u>5,298,833</u>
<b>Total Liabilities</b>	<u><b>3,985,051</b></u>	<u><b>6,027,537</b></u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	8,097,202	8,973,350
Unrestricted	2,064,694	3,590,063
Total Net Assets	<u><b>\$ 10,161,896</b></u>	<u><b>\$ 12,563,413</b></u>

Business Type Activities		Governmental
Nonmajor Enterprise Funds	Total	Activities Internal Service
\$ 306,577	\$ 5,429,027	\$ 110,916
38,953	351,978	27,307
30,416	330,634	-
-	159,752	-
1,609	25,751	-
377,555	6,297,142	138,223
-	147,393	-
290,538	1,308,313	-
11,365	192,701	-
3,738,783	29,210,589	-
4,040,686	30,858,996	-
4,418,241	37,156,138	138,223
32,557	101,986	-
-	38,355	-
-	23,488	-
-	28,107	96,476
32,872	120,277	-
8,700	8,700	-
-	752,000	-
-	255,000	-
9,671	9,671	-
-	33,088	-
83,800	1,370,672	96,476
-	7,400,000	-
-	1,193,365	-
36,236	36,236	-
-	132,351	-
-	-	66,984
36,236	8,761,952	66,984
120,036	10,132,624	163,460
3,994,779	21,065,331	-
303,426	5,958,183	(25,237)
\$ 4,298,205	\$ 27,023,514	\$ (25,237)

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 1,811,080	\$ 2,693,578
<b>Total Operating Revenue</b>	<u>1,811,080</u>	<u>2,693,578</u>
<b>Operating Expenses:</b>		
Employee Services	597,443	741,812
Contract Services	73,665	287,973
Supplies	120,314	108,473
Repairs and Improvements	150,179	129,544
Utilities	153,033	181,453
Miscellaneous	7,415	12,793
Depreciation	620,767	797,897
Amortization	4,906	7,991
<b>Total Operating Expenses</b>	<u>1,727,722</u>	<u>2,267,936</u>
<b>Operating Income (Loss)</b>	83,358	425,642
<b>Non-Operating Income (Expense):</b>		
Interest Income	8,042	12,982
Refunds and Reimbursements	1,784	14,178
Loss on Disposal of Capital Assets	-	(3,656)
Revenue from Use of Property	57,286	11,812
Other Non-operating Income	1,803	497
Interest Expense	(129,985)	(204,471)
<b>Total Non-Operating Income (Expenses)</b>	<u>(61,070)</u>	<u>(168,658)</u>
<b>Income (Loss) Before Transfers and Contributions</b>	22,288	256,984
<b>Contributed Capital Revenue</b>	12,664	-
<b>Transfers In</b>	988,385	824,500
<b>Transfers (Out)</b>	<u>(200,009)</u>	<u>(197,907)</u>
<b>Change in Net Assets</b>	823,328	883,577
<b>Net Assets - Beginning</b>	<u>9,338,568</u>	<u>11,679,836</u>
<b>Net Assets - Ending</b>	<u>\$ 10,161,896</u>	<u>\$ 12,563,413</u>

Business Type Activities		Governmental
Nonmajor		Activities
Enterprise		Internal
Funds	Total	Service
\$ 1,229,012	\$ 5,733,670	\$ 785,746
1,229,012	5,733,670	785,746
-	1,339,255	-
726,441	1,088,079	-
103,537	332,324	-
30,377	310,100	-
19,427	353,913	-
7,147	27,355	833,408
181,222	1,599,886	-
-	12,897	-
1,068,151	5,063,809	833,408
160,861	669,861	(47,662)
-	21,024	567
2,900	18,862	135,091
-	(3,656)	-
30,250	99,348	-
-	2,300	-
(3,297)	(337,753)	-
29,853	(199,875)	135,658
190,714	469,986	87,996
199,547	212,211	-
2,102	1,814,987	-
(305,041)	(702,957)	-
87,322	1,794,227	87,996
4,210,883	25,229,287	(113,233)
\$ 4,298,205	\$ 27,023,514	\$ (25,237)

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	<b>Business Type Activities</b>	
	<b>Water System</b>	<b>Sewer System</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 1,755,945	\$ 2,662,588
Cash Paid to Suppliers for Goods and Services	(517,215)	(716,877)
Cash Paid to Employees for Services	(595,105)	(743,205)
Other Nonoperating Income	60,873	26,487
Net Cash Provided by Operating Activities	<u>704,498</u>	<u>1,228,993</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(171,095)	(178,668)
Proceeds from the Sale of Assets	-	706
Principal Paid on Notes and Bonds	(357,000)	(621,000)
Interest Paid on Notes and Bonds	(130,863)	(205,948)
Net Cash (Used) for Capital and Related Financing Activities	<u>(658,958)</u>	<u>(1,004,910)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers From (To) Other Funds	788,376	626,593
Due From (To) Other Funds	87,405	960,959
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>875,781</u>	<u>1,587,552</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and Dividends on Investments	8,042	12,982
Net Cash Provided from Investing Activities	<u>8,042</u>	<u>12,982</u>
Net Increase in Cash and Cash Equivalents	929,363	1,824,617
Cash and Cash Equivalents at Beginning of Year	<u>979,556</u>	<u>1,388,914</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,908,919</u>	<u>\$ 3,213,531</u>

Business Type Activities		Governmental
Nonmajor Enterprise Funds	Total	Activities Internal Service
\$ 1,219,288	\$ 5,637,821	\$ 795,515
(890,769)	(2,124,861)	(825,036)
-	(1,338,310)	-
33,150	120,510	135,091
361,669	2,295,160	105,570
(72,206)	(421,969)	-
-	706	-
-	(978,000)	-
(3,298)	(340,109)	-
(75,504)	(1,739,372)	-
(302,939)	1,112,030	-
32,873	1,081,237	-
(270,066)	2,193,267	-
-	21,024	567
-	21,024	567
16,099	2,770,079	106,137
290,478	2,658,948	4,779
\$ 306,577	\$ 5,429,027	\$ 110,916

CITY OF LE MARS, IOWA  
COMBINING STATEMENT OF CASH FLOWS (Continued)  
Proprietary Funds  
For the Year Ended June 30, 2012

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 83,358	\$ 425,642
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	620,767	797,897
Amortization	4,906	7,991
Miscellaneous Non-Cash Expense	-	-
Miscellaneous Non-Operating Income	60,873	26,487
(Increase) Decrease in Assets:		
Accounts Receivable	(88,954)	1,615
Estimated Unbilled Usage	33,820	(32,605)
Prepaid Expenses	6,046	(8,264)
Inventories	(33,277)	-
Unearned Revenue	-	-
Increase (Decrease) in Liabilities		
Accounts Payable	14,568	11,623
Accrued Wages and Compensated Absences	2,338	(1,393)
Accrued Expenses	53	-
Total Adjustments	621,140	803,351
Net Cash Provided by Operating Activities	704,498	1,228,993
Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Contributed Capital	\$ 12,664	\$ -



Nonmajor Enterprise Funds	Total	Governmental Activities
		Internal Service
<u>\$ 160,861</u>	<u>\$ 669,861</u>	<u>\$ (47,662)</u>
181,222	1,599,886	-
-	12,897	-
14,159	14,159	-
33,150	120,510	135,091
(2,433)	(89,772)	9,769
(2,614)	(1,399)	-
(43)	(2,261)	-
-	(33,277)	-
(4,350)	(4,350)	-
(9,159)	17,032	-
-	945	-
-	53	8,372
<u>200,808</u>	<u>1,625,299</u>	<u>153,232</u>
<u>361,669</u>	<u>2,295,160</u>	<u>105,570</u>
 <u>\$ 199,547</u>	 <u>\$ 212,211</u>	 <u>\$ -</u>

**CITY OF LE MARS, IOWA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**Agency Funds**  
**JUNE 30, 2012**

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**ASSETS**

Cash and Pooled Investments	\$ 8,537
<b>Total Assets</b>	<b>8,537</b>

**LIABILITIES**

Accounts Payable	8,537
<b>Total Liabilities</b>	<b>8,537</b>

**NET ASSETS**

Unrestricted	-
<b>Total Net Assets</b>	<b>\$ -</b>

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Le Mars, Iowa is a political subdivision of the State of Iowa located in Plymouth County, and was incorporated in 1881, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water and sewer utility systems, which are governed by the City Council.

The City's financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the City of Le Mars, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Le Mars, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The City established a municipal hospital, Floyd Valley Hospital, in 1966. The hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City and its operating budget is subject to the approval of the City Council.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Plymouth County Assessors' Conference Board, Plymouth County Area Solid Waste Agency, Plymouth County Emergency Management Commission and the Plymouth County Joint E911 Service Board.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's health insurance internal service fund is also classified as a governmental-type activity.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

*Fund Financial Statements* – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 1 -      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

as separate columns in the find financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.
- 2) Special Revenue Fund - The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for public improvements; construction of public infrastructure as well as economic development opportunities; incentives; sites; land; rebates; and grant agreements.
- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.
- 4) Capital Projects – The STP FHWA Projects Fund accounts for any STP street projects the City has in progress and any associated grant proceeds or other financing items.

The City reports the following major proprietary funds:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

The City reports the following internal service fund:

The Health Insurance Fund is used to account for the funding and maintenance of the City's self-funded health insurance provided to City employees. Since the principal users of this internal service are the City's governmental activities, the financial statements of the health insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

The City reports the following fiduciary fund:

The Flex Account is an agency fund that is used to account for the City's cafeteria plan.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis. The City's internal service fund is presented in the proprietary fund financial statements.

Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments consist of the following:

<u>City</u>	<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit		Cost
<u>Component Unit</u>		
Certificates of Deposit		Cost
U.S. Treasury Notes, State & Local Government Series		Fair Value Determined Based on Quoted Market Price By Current Share Prices
Debt Securities		
Negotiable Certificates of Deposit		Amortized Cost
Maturity of one year or less when purchased		Fair Value Based on
Maturity of more than one year when purchased		Quoted Market Price

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2011. Any county collections on the 2011-2012 tax levy remitted to the City within 60 days subsequent to June 30, 2012, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due to Other Funds - During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds have not been paid or received as of June 30, 2012, balances of interfund amounts payable or receivable have been recorded in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items.



CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Capital Assets - Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$1,000 and estimated useful lives in excess of two years. Depreciation expense is calculated using the straight-line method over the following useful lives:

Buildings	39 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 - 20 Years
Infrastructure	15 – 70 Years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences - City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

Interfund Transactions - Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

Landfill Closure Costs - The City is part of an Iowa Code Section 28F agreement with the Plymouth County Solid Waste Agency and, therefore, not required to account for landfill post closure costs.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the culture and recreation function.

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2012, were entirely covered by Federal Depository Insurance or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances;

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Deposits at June 30, 2012, are shown below:

	<b>Primary Government</b>	<b>Component Unit</b>	<b>Agency Fund</b>	<b>Fair Value</b>	<b>Rating</b>
Demand Deposits	\$ (218,003)	\$ 7,313,722	\$ 8,537	\$ 7,104,256	N/A
Savings Deposits	8,530,720	-	-	8,530,720	N/A
Time Deposits	144,199	4,454,955	-	4,599,154	N/A
Fixed Income Deposits	4,804,856	-	-	4,804,856	N/A
	<u>\$ 13,261,772</u>	<u>\$ 11,768,677</u>	<u>\$ 8,537</u>	<u>\$ 25,038,986</u>	

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Custodial Credit Risk – The City has no policy regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

**Note 3 - RECEIVABLES**

Receivables at June 30, 2012 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$34,325 and the governmental funds of the primary government had an allowance of \$170,091 at June 30, 2012. The component unit had an allowance for uncollectibles of \$3,428,514 at June 30, 2012.

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2012, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 68,742
Due from the Iowa Department of Transportation for construction projects	549,234
Due from the State of Iowa for local option sales taxes	164,547
Due from the State of Iowa for hotel and motel sales taxes	32,590
Due from Plymouth County for court finds and EMS class reimbursement	7,170
Total Due from Other Governments	<u>\$ 822,283</u>

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2012, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 1,902,169
General	STP FHWA Projects	168,628
Debt Service	Nonmajor Governmental Funds	152,616
Debt Service	TIF	178,997
Debt Service	Water	87,405
Debt Service	Nonmajor Proprietary Funds	32,872
		<u>\$ 2,522,687</u>

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

**Note 6 - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

**Primary Government**

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,331,342	\$ -	\$ -	\$ 1,331,342
Construction in Progress	710,557	2,062,307	1,581,481	1,191,383
Total capital assets not being depreciated	<u>2,041,899</u>	<u>2,062,307</u>	<u>1,581,481</u>	<u>2,522,725</u>
Capital assets being depreciated:				
Buildings	10,559,983	248,875	123,000	10,685,858
Improvements	4,163,213	657,876	-	4,821,089
Equipment	5,432,754	178,083	351,703	5,259,134
Infrastructure	33,673,511	1,346,468	-	35,019,979
Total capital assets being depreciated	<u>53,829,461</u>	<u>2,431,302</u>	<u>474,703</u>	<u>55,786,060</u>
Less: Accumulated Depreciation for:				
Buildings	5,537,072	416,027	92,250	5,860,849
Improvements	2,718,853	163,650	-	2,882,503
Equipment	4,360,040	343,235	267,764	4,435,511
Infrastructure	13,610,506	1,319,556	-	14,930,062
Total Accumulated Depreciation	<u>26,226,471</u>	<u>2,242,468</u>	<u>360,014</u>	<u>28,108,925</u>
Total capital assets being depreciated, net	<u>27,602,990</u>	<u>188,834</u>	<u>114,689</u>	<u>27,677,135</u>
Governmental activities capital assets, net	<u>\$ 29,644,889</u>	<u>\$ 2,251,141</u>	<u>\$ 1,696,170</u>	<u>\$ 30,199,860</u>

Construction in progress at June 30, 2012, for the governmental activities consisted of costs associated with numerous street and infrastructure additions and improvements.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 6 - CAPITAL ASSETS – (Continued)**

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,308,313	\$ -	\$ -	\$ 1,308,313
Construction in Progress	208,434	216,197	231,930	192,701
Total capital assets not being depreciated	1,516,747	216,197	231,930	1,501,014
Capital assets being depreciated:				
Buildings	1,549,607	-	-	1,549,607
Improvements	3,399,533	434,999	-	3,834,532
Equipment	903,645	60,978	57,832	906,791
Utility Plant	42,430,587	139,778	-	42,570,365
Total capital assets being depreciated	48,283,372	635,755	57,832	48,861,295
Less: Accumulated Depreciation	18,104,288	1,599,886	53,468	19,650,706
Total capital assets being depreciated, net	30,179,084	(964,131)	4,364	29,210,589
Business-type activities capital assets, net	\$31,695,831	\$ (747,934)	\$ 236,294	\$30,711,603

Construction in progress at June 30, 2012 consisted of costs associated with water main extensions and storm sewer improvements.

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
Public Safety	\$ 171,188
Public Works	1,650,402
Culture and Recreation	161,213
Community and Economic Development	234,140
General Government	25,525
Total depreciation expense – governmental activities	\$ 2,242,468
<b>Business-Type Activities:</b>	
Water	\$ 620,767
Sewer	797,897
Golf Course	116,144
Storm Sewer	37,159
Solid Waste	27,919
Total depreciation expense – business-type activities	\$ 1,599,886

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 6 - CAPITAL ASSETS – (Continued)**

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
<b>Component Unit:</b>					
Capital assets not being depreciated:					
Land	\$ 185,160	\$ -	\$ -	\$ -	\$ 185,160
Construction in Progress	9,273	877,752	4,212	(519,959)	362,854
Total capital assets not being depreciated	194,433	877,752	4,212	(519,959)	548,014
Capital assets being depreciated:					
Land Improvements	873,519	-	-	-	873,519
Buildings and Fixed Equipment	18,190,794	7,352	30,086	66,508	18,234,568
Major Movable Equipment	7,087,680	251,083	589,507	453,451	7,202,707
Intangible – Medical Records	252,633	-	-	-	252,633
Total capital assets being depreciated	26,404,626	258,435	619,593	519,959	26,563,427
Less: Accumulated Depreciation	15,416,067	1,300,870	612,895	-	16,104,042
Total capital assets being depreciated, net	10,988,559	(1,042,435)	6,698	519,959	10,459,385
Component unit capital assets, net	\$ 11,182,992	\$ (164,683)	\$ 10,910	\$ -	\$ 11,007,399

Construction in progress at June 30, 2012, consisted of renovations to the Hospital.

**Reconciliation of Investment in Capital Assets:**

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 1,331,342	\$ 1,308,313	\$ 185,160
Construction in Progress	1,191,383	192,701	362,854
Capital Assets (net of accumulated depreciation)	27,677,135	29,210,589	10,459,385
Less: General Obligation Bonds Payable	5,702,090	1,448,365	-
Revenue Bonds	-	8,152,000	4,124,500
Capital Lease	250,229	45,907	-
Investment in Capital Assets, Net of Related Debt	\$ 24,247,541	\$ 21,065,331	\$ 6,882,899

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 7 - LONG-TERM DEBT**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds outstanding (net of unamortized premiums) as of June 30, 2012 are as follows:

<b><u>Purpose</u></b>	<b><u>Interest Rates</u></b>	<b><u>Maturity Date</u></b>	<b><u>Amounts</u></b>
Governmental Activities – 2010 Refunding	2.75-3.125%	June 1, 2018	\$ 345,000
Governmental Activities-2006 Refunding & Corporate Purpose	3.7-4.35%	June 1, 2021	5,350,000
SRF General Obligation Bonds, 2007	3.0%	June 1, 2027	1,257,000
Business-Type Activities – 2010 Refunding	2.75-3.125%	June 1, 2018	1,420,000
Governmental Activities – 2011 Refunding	.60-2.300%	June 1, 2021	4,950,000
			<u>\$13,322,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2013	\$ 758,000	\$ 271,863	\$ 255,000	\$ 41,994
2014	1,540,000	995,955	255,000	34,344
2015	1,562,000	963,900	270,000	26,694
2016	1,619,000	948,190	280,000	18,594
2017	1,561,000	920,753	285,000	10,894
2018-2022	4,381,000	2,224,763	75,000	2,344
2023-2027	481,000	44,130	-	-
Total	<u>\$ 11,902,000</u>	<u>\$ 6,369,554</u>	<u>\$ 1,420,000</u>	<u>\$ 134,864</u>

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

**Note 7 - LONG-TERM DEBT (Continued)**

**Revenue Bonds**

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. These funds have been expended on construction of the water treatment and wastewater treatment facilities. Financing details are as follows:

The City issued \$650,000 of Joint Urban Renewal Tax Increment Revenue Bonds on May 30, 2006. These bonds were issued to finance public infrastructure improvements related to the Two Rivers Center Project. The bonds will be paid through the collection of TIF revenues over the next 10 years at an interest rate ranging from 4.15 to 4.75%. This bond was paid in full as of June 30, 2012.

The 2004 series sewer revenue bonds, have a total par of \$7,900,000, all of which has been drawn.

The total par of the 2003 series water revenue bonds is \$6,300,000, and all funds available in this series of bonds have now been drawn. As shown below the interest rate on these bonds is 3.0%.

The total par of the 2005 series water revenue bonds is \$600,000. All funds available in this series have been drawn.

Revenue bonds outstanding at June 30, 2012 are as follows:

**Primary Government**

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amounts</u>
Business-type Activities-Sewer SRF	3.0%	June 1, 2024	\$ 4,443,000
Business-type Activities -Water SRF	3.0-3.53%	June 1, 2020 – June 1, 2025	3,709,000
			<u>\$ 8,152,000</u>

**Revenue Bonds**

Annual revenue bond debt service requirement to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 752,000	\$ 244,560
2014	777,000	222,000
2015	802,000	198,690
2016	828,000	174,630
2017	853,000	149,790
2018-2022	4,140,000	349,410
Total	<u>\$ 8,152,000</u>	<u>\$ 1,339,080</u>



**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 7 - LONG-TERM DEBT (Continued)**

**Advance and Current Refundings**

In June 2006, the City issued \$7,300,000 of GO Corporate Purpose and Refunding Bonds, of which \$665,000 was used in a refunding of the 1998 series GO Corporate Purpose Notes. The 2006 series bonds carry an average interest rate of 4.07% and the 1998 series an average interest rate of 4.77%. This resulted in an economic gain of \$9,467 and a reduction in debt service payments of \$10,627 over the next five years.

In June 2010, the City issued \$2,095,000 of General Obligation Bonds, which is a crossover advance refunding of the 2002 and 2003 corporate purpose general obligation bonds. The 2002 and 2003 corporate purpose general obligation bonds were paid off in full during fiscal year 2011. The 2010 bonds carry an average interest rate of 2.94% and the 2002 and 2003 bonds refunded had an average interest rate of 4.18% and 3.35%. This resulted in a reduction of its debt service payments over the next eight years by \$87,054, and obtain an economic gain of \$81,783.

In October 2011, the City issued \$4,950,000 of General Obligation Refunding Bonds, Series 2011 in a crossover advance refunding of Series 2006B General Obligation Corporate Purpose and Refunding Bonds. The 2011 bonds have an average interest rate of 1.45% and the 2006 bonds being refunded have an average interest rate of 4.0%. The net proceeds from the issuance were used to purchase U.S. government securities and were deposited in an escrow account with Bankers Trust Company. As of June 30, 2012 the amount in escrow was \$4,804,856. This amount will be used to refund the remaining \$4,745,000 of the 2006 bonds on June 1, 2013, when these notes become callable. The assets deposited with the escrow agent are shown as a restricted asset in the City's Debt Service Fund. As a result of this refunding, the City will reduce its debt service payments over the next eight years by \$321,515, and obtain an economic gain of \$283,794.

**Component Unit**

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Hospital/Component Unit	3.0-5.45%	\$ 857,500
Hospital/Component Unit	2.5-5.9%	3,087,000
Hospital/Component Unit	0%	180,000
		<u>\$ 4,124,500</u>

These notes are reported net of unaccreted discount of \$80,500.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

**Note 7 - LONG-TERM DEBT (Continued)**

Scheduled principal and interest repayments on revenue notes are as follows:

Year Ending June 30,	<u>Rural Economic Development Loan</u>		<u>Revenue Notes Payable</u>	
	Principal	Interest	Principal	Interest
2013	\$ 72,000	\$ -	\$ 285,000	\$ 212,928
2014	72,000	-	295,000	198,337
2015	36,000	-	305,000	183,183
2016	-	-	325,000	166,883
2017	-	-	340,000	149,347
2018-2022	-	-	2,005,000	435,409
2023	-	-	470,000	13,865
	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ 4,025,000</u>	<u>\$1,359,952</u>

**Notes Payable**

In May 2008, the City agreed to pay the Iowa Department of Transportation \$80,000 for purchase of property. A down payment of \$1,000 was paid prior to May 1, 2008. A \$19,000 installment was paid on May 1, 2009 and \$20,000 installments were due thereafter. There was no interest paid since all payments were made by the applicable due date. This note was paid in full during fiscal year 2012.

**Capital Leases**

In fiscal year 2010, the City entered into capital lease agreements for the acquisition of a backhoe, motor grader, and fairway mower. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its minimum lease payments as of the inception date.

In fiscal year 2011, the City entered into capital lease agreement for the acquisition of a wheel loader. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date.

In fiscal year 2012, the City entered into capital lease agreement for the acquisition of a wheel loader, tractor and fitness equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Asset:		
Equipment	\$ 329,732	\$ 55,031
Less Accumulated Depreciation	151,997	33,019
Total	<u>\$ 177,735</u>	<u>\$ 22,012</u>

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 7 - LONG-TERM DEBT (Continued)**

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2012.

Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 51,592	\$ 8,825	\$ 60,417	\$ 9,671	\$ 2,750	\$ 12,421
2014	57,884	7,770	65,654	10,250	2,171	12,421
2015	58,388	5,299	63,687	10,864	1,557	12,421
2016	60,564	3,124	63,688	15,122	(2,702)	12,420
2017	\$ 21,801	\$ 787	\$ 22,588	\$ -	\$ -	\$ -
Minimum Lease Payments			276,034			49,683
Less: Amount Representing Interest			(25,805)			(3,776)
Present Value of Minimum Lease Payments			<u>\$250,229</u>			<u>\$ 45,907</u>

**Changes in Long-Term Liabilities**

Long-Term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Notes Payable	\$ 20,000	\$ -	\$ 20,000	\$ -	\$ -
<b>Bonds Payable:</b>					
General Obligation	7,683,000	4,950,000	731,000	11,902,000	758,000
Unaccreted Bond Premium	8,289	-	1,199	7,090	-
Revenue Bonds	480,000	-	480,000	-	-
Other Post Employment Benefits	46,545	20,439	-	66,984	-
Capital Lease	265,840	36,448	52,059	250,229	49,883
Compensated Absences	773,863	47,064	-	820,927	165,377
Governmental Activity Long-Term Liabilities	<u>9,277,537</u>	<u>5,053,951</u>	<u>1,284,258</u>	<u>13,047,230</u>	<u>973,260</u>
<b>Business-Type Activities:</b>					
<b>Bonds Payable:</b>					
General Obligation	1,670,000	-	250,000	1,420,000	255,000
Unaccreted Bond Premium	33,159	-	4,794	28,365	-
Revenue Bonds	8,880,000	-	728,000	8,152,000	752,000
Capital Lease	55,031	-	9,124	45,907	9,671
Compensated Absences	166,681	41,670	42,912	165,439	33,088
Business-Type Activity Long-Term Liabilities	<u>\$10,804,871</u>	<u>\$ 41,670</u>	<u>\$ 1,034,830</u>	<u>\$9,811,711</u>	<u>\$1,049,759</u>

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 7 - LONG-TERM DEBT (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Unit:</b>					
<b>Bonds Payable:</b>					
Revenue Bonds	\$ 4,290,000	\$ -	\$ 265,000	\$4,025,000	\$ 285,000
Rural Economic Development Note	252,000	-	72,000	180,000	72,000
<b>Less Deferred Amounts:</b>					
Of Bond Discount	85,800	-	5,300	80,500	-
<b>Total Bonds Payable</b>	<b>\$ 4,456,200</b>	<b>\$ -</b>	<b>\$ 331,700</b>	<b>\$4,124,500</b>	<b>\$ 357,000</b>

**Note 8 - TRANSFERS**

The following is a summary of transfers between funds:

	General	TIF	Nonmajor Governmental	Sewer	Water	Nonmajor Enterprise	Total Transfer In
General	\$ -	\$ 400,000	\$ 257,500	\$ 197,907	\$ 197,907	\$ 80,041	\$1,133,355
Debt Service	-	532,405	338,125	-	-	-	870,530
Nonmajor							
Governmental	39,000	1,135,083	833,293	-	-	225,000	2,232,376
Sewer	-	824,500	-	-	-	-	824,500
Water	-	988,385	-	-	-	-	988,385
Nonmajor							
Enterprise	-	-	-	-	2,102	-	2,102
<b>Transfer Out</b>	<b>\$39,000</b>	<b>\$3,880,373</b>	<b>\$ 1,428,918</b>	<b>\$ 197,907</b>	<b>\$ 200,009</b>	<b>\$ 305,041</b>	<b>\$6,051,248</b>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

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**Note 9- PENSION AND RETIREMENT**

**Iowa Public Employees Retirement System** - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered payroll except for, fire employees, in which case, the percentages are 6.68% and 9.97%, respectively, and law employees who are covered by another plan. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$218,838, \$185,759 and \$167,039, respectively, equal to the required contributions for each year.

**Municipal Fire and Police Retirement System of Iowa** - The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104<sup>th</sup> Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2012, 2011 and 2010 were \$210,773, \$172,727 and \$144,030, respectively, which met the required minimum contribution for each year.

**Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description. The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 55 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is a partially self-funded medical plan, administered by Avera Health. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

**Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)**

Annual OPEB Cost and Net OPEB Obligation. The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 26,817
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	26,817
Contributions made	(6,378)
Increase in net OPEB obligation	20,439
Net OPEB obligation beginning of year	46,545
Net OPEB obligation end of year	<u>\$ 66,984</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 27,226	43%	\$ 15,515
June 30, 2010	\$ 27,226	43%	\$ 31,030
June 30, 2011	\$ 27,226	43%	\$ 46,545
June 30, 2012	\$ 26,817	24%	\$ 66,984

Funded Status and Funding Progress. As of June 30, 2012, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$238,651, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$238,651. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,911,872 and the ratio of the UAAL to covered payroll was 8.2%. As of June 30, 2012, there were no trust fund assets.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

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**Note 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)**

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of June 30, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. Based on the assumption that retirees were assumed to participate in the insurance until their sick leave account was exhausted. At that time continued participation was assumed to be 10% and 0% for active employees that are currently waiving coverage.

Projected claim costs of the medical plan are \$14,715 and \$15,818 annually for retirees and spouses, respectively, less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Note 11- MAJOR CUSTOMER**

During the year ended June 30, 2012, charges for services provided by the sewer utility of the City to Wells' Dairy, Inc. was \$1,222,282 and to Dean's Food's, Inc. was \$459,056. This represents 45% and 17%, respectively, of total sewer charges for service. Charges for services provided by the water utility of the City to Wells' Dairy, Inc. was \$477,799 which represents 26% of total water charges for services.

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Note 12 - DEFICIT FUND EQUITY**

The City has ten funds with deficit equity balances at June 30, 2012. The City intends to finance these deficits from various resources including; general funds, special assessments, future TIF collections, and capital project debt financing.

The individual fund deficits were as follows:

Special Revenue – Tax Increment Financing .....	\$ 145,499
Special Revenue – Westmar University TIF .....	393,485
Capital Project – Community Betterment .....	596,440
Capital Project – Industrial Park.....	141,798
Capital Project – Storm Sewer Drainage Imp.....	132,097
Capital Project – STP FHWA Projects .....	125,782
Capital Project – Business Park .....	157,773
Capital Project – TIF Capital Projects.....	153,199
Capital Project – Street Construction .....	39,015
Internal Service Fund .....	25,237

**Note 13- RISK MANAGEMENT**

Medical Insurance – As of July 1, 2001, the City began using a partially self-funded medical insurance program accounted for in an internal service fund. Costs of the program include medical benefits, administration fees and premiums for stop-loss coverage with limits of \$40,000 per covered employee per year. Based on prior year claims, the City was required to cover costs up to \$150,000 for one of its covered employees during the 2011 fiscal year. This was the only year where settled claims exceeded commercial insurance coverage in any of the past three fiscal years. Settled claims resulting from these or any other of the following risks have not exceeded commercial insurance coverage in any of the past three fiscal years, except as noted above.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Service Fund.

	<u>2011</u>	<u>2012</u>
Unpaid claims, beginning of fiscal year	\$ 88,975	\$ 108,543
Incurred claims (including IBNR's)	893,189	689,943
Claim payments	(873,621)	(702,010)
Unpaid claims, end of fiscal year	<u>\$ 108,543</u>	<u>\$ 96,476</u>

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.



**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 13- RISK MANAGEMENT- (Continued)**

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were \$87,731.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool, up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the City's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

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**Note 13-      RISK MANAGEMENT – (Continued)**

made for the one- year period following withdrawal.

The City also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for workman's compensation insurance.

**Note 14-      COMMITMENTS**

During the year ended June 30, 2012, the City had entered into several construction contracts totaling approximately \$2,475,822 of which approximately \$922,216 has been expended to date. The remaining balance of \$1,553,606 will be paid as work progresses.

During the year ended June 30, 2002, the City entered into a 28E Agreement with Plymouth County and surrounding communities to contribute funds for the construction of a County jail from local option sales tax proceeds. The City of Le Mars has agreed to contribute a total of \$2,166,101 through November 2016. As of June 30, 2012, the City has made payments totaling \$1,453,388.

**Note 15 -      JOINT VENTURE**

The City of Le Mars joined with Northwest Rural Electric Cooperative and Long Lines, Ltd. to form Le Mars Communications, LLP, which provide high-tech telecommunications services to commercial and residential customers in the City of Le Mars and the area immediately surrounding Le Mars. Le Mars Communications, LLP established a telecommunications system that initially provides telephone, internet, and high-speed data transmission service to customers in the community. The City had owned a 33 percent share of the venture but sold their interest to Le Mars Communication on January 3, 2012 for \$25,000. A summary of financial information for the joint venture year ended December 31, 2011 follows:

	<b>Total</b>
Assets.....	<u>\$    183,378</u>
Liabilities.....	20,190
Equity.....	<u>163,188</u>
	<u>183,378</u>
Revenues .....	215,209
Expenses.....	<u>382,327</u>
Net Decrease in Equity.....	<u>\$   (167,118)</u>

**CITY OF LE MARS, IOWA**  
**Notes to Financial Statements**  
**June 30, 2012**

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**Note 15 -     JOINT VENTURE (Continued)**

Separately issued financial statements for Le Mars Communications can be obtained from their offices. The joint venture was recorded on the equity method in the governmental activities through the date of the sale. The City has no interest in the joint venture as of June 30, 2012.

**Note 16 -     NOTES RECEIVABLE**

In January 2000, the City sold 75.87 acres in the Killeas Industrial Park to the Le Mars Business Initiative Corporation (LBIC) for \$8,000 per acre. In addition, the City and the LBIC have entered into a development agreement for which the City pays all costs to develop this property. The LBIC plans to market the land to prospective businesses. As each lot is sold by the LBIC, the net purchase price will be immediately payable to the City of Le Mars until such time as all costs associated with this project have been repaid. The note receivable as of June 30, 2012 is \$206,800.

In August 2004, the City loaned the LBIC \$110,000 which was then passed along to Prime Living Apartments as an Economic Development Loan. The loan is a 20 year 1% loan with interest payments due annually beginning December 31, 2005 and the principal due in a one time balloon payment on or before December 31, 2025.

Beginning in FY 2006 the City to date has contributed \$525,000 to the LBIC, for the acquisition of the Winter's feedlot property to initiate development near the Well's Dairy Corporate Campus. Plymouth County also contributed in equal amounts to this project. These amounts will be repaid as funds are available from the sales of any of the property. In addition, the City incurred \$188,577 of expenditures related to the clean up and restoration of the Crescent Ridge Property. The City was reimbursed for these costs when a portion of the property was sold in FY 11. The full amounts of the original contributions will be repaid to the City and County as funds are available from future sales. No activity occurred in Crescent Ridge Development during fiscal year 2012. At June 30, 2012, this loan had a remaining balance of \$532,958.

In May 2009, the City loaned the LBIC \$10,000 which was passed along to BoDean's as an economic development loan. The loan is a 5 year 0% loan with the payments of \$2,000 due annually beginning one year from the date of the note. At June 30, 2012, this loan had a remaining balance of \$4,000.

On September 1, 2009, the City agreed to provide a \$200,000, no interest, unsecured loan, to aid the Le Mars Area Dialysis Organization in construction of their new dialysis facility. All of these funds were drawn during fiscal year 2011. The first payment is not required until 18 months after Le Mars Area Dialysis receives official Medicare approval to operate. Le Mars Area Dialysis received Medicare approval to operate during calendar year of 2012 and no payments had been received by the City as of June 30, 2012.

In September 2010, the City completed construction of a parking lot for a health care facility leased by Weinberg Investments, Inc. Total construction costs were \$155,000, of which the City will be reimbursed by Weinberg Investments, Inc., this note accrues interest at a rate of 3.5% per year. Interest only payments started March 1, 2011 and will continue until March 1, 2014. A balloon payment of all principal and accrued interest remaining on the promissory note is scheduled to be paid March 1, 2015.

CITY OF LE MARS, IOWA  
Notes to Financial Statements  
June 30, 2012

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**Note 16 -     NOTES RECEIVABLE (Continued)**

During fiscal year 2011 the City distributed \$125,000 in the form of a forgivable loan to Royal Theatres, LLC. There will be no principal or interest payments required, provided Royal Theatres, LLC remains in business as a movie theater. For each year that passes \$25,000 will be forgiven provided Royal Theatres, LLC continues to operate as a movie theater thus after 5 years the entire loan would be forgiven. As of June 30, 2012 Royal Theatres, LLC is in compliance with loan requirements and the note balance is \$100,000.

**Note 17-     PLEDGES RECEIVABLE**

The City received pledges from individuals and businesses to finance several community betterment projects. The pledges are to be paid over a ten-year period. The receivable at June 30, 2012 is recorded net of an allowance for uncollectible amounts of \$96,100 in the government-wide financial statements and at the fund level in the Community Betterment Fund.

**Note 18 -     SUBSEQUENT EVENTS**

On November 6, 2012 the City approved the issuance of \$1,115,000 Series 2012C, GO Refunding Bonds, which will be used to refund the Series 2007 SRF GO Bonds.

On November 6, 2012 the City approved the issuance of \$5,865,000 Series 2012B, Water Revenue Improvement and Refunding Bonds. Proceeds will be used for water projects and to refund the Series 2003 SRF Water Bonds.

On November 6, 2012 the City approved this issuance of \$4,135,000 Series 2012A, Sewer Revenue Refunding Bonds, which will be used to refund the Series 2004 SRF Sewer Bonds.

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LE MARS, IOWA**  
**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -**  
**Governmental Funds and Proprietary Funds**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2012**

	Governmental Fund Type Actual	Proprietary Funds Actual	Floyd Valley Hospital
Receipts:			
Taxes	\$ 4,188,786	\$ -	\$ -
Tax Increment Financing	5,163,067	-	-
Other Tax	973,998	-	-
Licenses and Permits	128,729	-	-
Use of Money and Property	306,374	88,986	-
Intergovernmental	1,778,629	-	-
Charges for Services	872,099	5,627,989	30,902,064
Miscellaneous	724,002	41,185	323,390
Total	<u>14,135,684</u>	<u>5,758,160</u>	<u>31,225,454</u>
Disbursements:			
Public Safety	2,365,567	-	-
Public Works	828,981	-	-
Culture and Recreation	1,774,722	-	-
Community and Economic Development	494,207	-	-
General Government	1,066,274	-	-
Capital Projects	3,095,528	-	-
Debt Service	1,564,281	-	-
Business Type Activities	-	5,184,353	30,371,012
Total Disbursements	<u>11,189,560</u>	<u>5,184,353</u>	<u>30,371,012</u>
Excess (deficiency) of receipts over disbursements	2,946,124	573,807	854,442
Other financing sources net:			
Proceeds from Debt Financing	4,844,600	-	-
Sale of Assets	27,214	3,006	-
Interfund Transfers In	4,236,261	1,814,987	-
Interfund Transfers Out	(5,348,291)	(702,957)	-
Total other financing sources net	<u>3,759,784</u>	<u>1,115,036</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,705,908	1,688,843	854,442
Balances - beginning of year	1,136,198	3,619,907	10,914,235
Balances - end of year	<u>\$ 7,842,106</u>	<u>\$ 5,308,750</u>	<u>\$ 11,768,677</u>

Total Actual	Budgeted Amounts		Final Budget Favorable (Unfavorable)
	Original	Final	
\$ 4,188,786	\$ 3,841,801	\$ 3,841,801	\$ (346,985)
5,163,067	3,944,036	3,944,036	(1,219,031)
973,998	1,294,573	1,294,573	320,575
128,729	56,750	56,750	(71,979)
395,360	254,650	254,650	(140,710)
1,778,629	914,333	932,333	(846,296)
37,402,152	42,091,350	42,146,350	4,744,198
1,088,577	58,800	197,800	(890,777)
<u>51,119,298</u>	<u>52,456,293</u>	<u>52,668,293</u>	<u>1,548,995</u>
2,365,567	2,339,679	2,395,179	29,612
828,981	842,102	849,102	20,121
1,774,722	1,530,237	1,716,287	(58,435)
494,207	313,927	570,927	76,720
1,066,274	1,152,179	1,189,679	123,405
3,095,528	4,014,626	4,014,626	919,098
1,564,281	1,139,885	1,524,885	(39,396)
35,555,365	40,410,725	40,610,725	5,055,360
<u>46,744,925</u>	<u>51,743,360</u>	<u>52,871,410</u>	<u>6,126,485</u>
4,374,373	712,933	(203,117)	4,577,490
4,844,600	-	-	4,844,600
30,220	-	-	30,220
6,051,248	7,341,289	7,341,289	(1,290,041)
<u>(6,051,248)</u>	<u>(7,341,289)</u>	<u>(7,341,289)</u>	<u>1,290,041</u>
<u>4,874,820</u>	<u>-</u>	<u>-</u>	<u>4,874,820</u>
9,249,193	712,933	(203,117)	9,452,310
15,670,340	15,670,340	15,670,340	-
<u>\$ 24,919,533</u>	<u>\$ 16,383,273</u>	<u>\$ 15,467,223</u>	<u>\$ 9,452,310</u>

**CITY OF LE MARS, IOWA**  
**BUDGET TO GAAP RECONCILIATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2012**

	<b>Governmental Funds</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Modified Accrual Basis</b>
Revenues	\$ 14,135,684	\$ 197,232	\$ 14,332,916
Expenditures	11,189,560	569,683	11,759,243
Net	2,946,124	(372,451)	2,573,673
Other Financing Sources, net	3,759,784	154,634	3,914,418
Beginning Fund Balance	1,136,198	1,884,273	3,020,471
Ending Fund Balance	<u>\$ 7,842,106</u>	<u>\$ 1,666,456</u>	<u>\$ 9,508,562</u>

	<b>Enterprise Funds</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
Revenues	\$ 5,758,160	\$ 117,044	\$ 5,875,204
Expenses	5,184,353	220,865	5,405,218
Net	573,807	(103,821)	469,986
Other Financing Sources, net	1,115,036	209,205	1,324,241
Beginning Net Assets	3,619,907	21,609,380	25,229,287
Ending Net Assets	<u>\$ 5,308,750</u>	<u>\$ 21,714,764</u>	<u>\$ 27,023,514</u>

	<b>Component Unit</b>		
	<b>Cash Basis</b>	<b>Accrual Adjustments</b>	<b>Accrual Basis</b>
Revenues	\$ 31,225,454	\$ 449,629	\$ 31,675,083
Expenses	30,371,012	1,049,090	31,420,102
Net	854,442	(599,461)	254,981
Beginning Net Assets	10,914,235	8,335,060	19,249,295
Ending Net Assets	<u>\$ 11,768,677</u>	<u>\$ 7,735,599</u>	<u>\$ 19,504,276</u>



**CITY OF LE MARS**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**June 30, 2012**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds and the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$1,128,050. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2012, disbursements in culture and recreation and debt service functions exceeded the amount budgeted.

CITY OF LE MARS, IOWA  
Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information							
Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	-	\$ 234,941	\$ 234,941	0.00%	\$2,770,000	8.5%
2011	July 1, 2008	-	\$ 234,941	\$ 234,941	0.00%	\$2,770,000	8.5%
2012	June 30, 2012	-	\$ 238,651	\$ 238,651	0.00%	\$2,911,872	8.2%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## OTHER SUPPLEMENTARY INFORMATION

CITY OF LE MARS, IOWA  
 COMBINING BALANCE SHEET  
 Governmental Nonmajor Funds  
 JUNE 30, 2012

	Special Revenue Funds				
	Community Betterment	Westmar University TIF	CDBG Home Fund	CDBG Land Fund	Joint Urban Renewal TIF
<b>Assets</b>					
Cash and Pooled Investments	\$ -	\$ -	\$ 61,328	\$ 379	\$ 1,097,975
Investments	-	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Accounts	-	-	-	-	-
Taxes	-	2,210	-	-	-
Subsequent Year Taxes	-	348,793	-	-	-
Accrued Interest	-	-	-	-	-
Special Assessments	-	-	-	-	-
Pledges Receivable	51,600	-	-	-	-
Notes Receivable	-	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-	-
<b>Total Assets</b>	<b>51,600</b>	<b>351,003</b>	<b>61,328</b>	<b>379</b>	<b>1,097,975</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable	1,710	607	-	-	-
Due to Other Funds	646,330	395,088	-	-	-
Deferred Revenue	-	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	348,793	-	-	-
<b>Total Liabilities</b>	<b>648,040</b>	<b>744,488</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Notes Receivable	-	-	-	-	-
Perpetual Care	-	-	-	-	-
<b>Restricted for:</b>					
Road Surface Repairs	-	-	-	-	-
Employee Benefits	-	-	-	-	-
Tax Increment Financing	-	-	-	-	1,097,975
Low-Moderate Income Project	-	-	61,328	379	-
Law Enforcement	-	-	-	-	-
Local Option Sales Tax	-	-	-	-	-
Tree Farm	-	-	-	-	-
<b>Assigned for:</b>					
Capital Improvement	-	-	-	-	-
Capital Improvement and Facilities	-	-	-	-	-
<b>Unassigned</b>	<b>(596,440)</b>	<b>(393,485)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances (Deficits)</b>	<b>(596,440)</b>	<b>(393,485)</b>	<b>61,328</b>	<b>379</b>	<b>1,097,975</b>
<b>Total Liabilities and Equity</b>	<b>\$ 51,600</b>	<b>\$ 351,003</b>	<b>\$ 61,328</b>	<b>\$ 379</b>	<b>\$ 1,097,975</b>

Special Revenue Funds						Capital Project				
Police Pension Fund	Unemployment	Road Use Tax	Local Option Sales Tax	Special Law Enforcement	Tree Farm	Industrial Park	Airport Runway Extension	Street Construction	Public Safety Building Improvement	
\$ 9,224	\$ 44,517	\$ 1,916	\$ 49,239	\$ 4,915	\$ 14,415	\$ -	\$ 239,726	\$ -	\$ 494,355	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	23,875	-	-	-	-
1,787	169	-	-	-	-	-	-	-	-	-
220,518	20,847	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,808	-	-
-	-	-	-	-	-	-	-	161	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	200,000	-	-	206,800	-	155,000	-	-
-	-	68,742	169,582	-	-	-	3,850	-	-	-
231,529	65,533	70,658	418,821	4,915	14,415	230,675	243,576	156,969	494,355	-
-	-	2,025	11,388	-	-	-	7,486	-	44,904	-
-	-	-	-	-	-	372,473	-	40,823	-	-
98	9	-	-	-	-	-	-	155,161	-	-
220,518	20,847	-	-	-	-	-	-	-	-	-
220,616	20,856	2,025	11,388	-	-	372,473	7,486	195,984	44,904	-
-	-	-	200,000	-	-	206,800	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	68,633	-	-	-	-	-	-	-	-
10,913	44,677	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	4,915	-	-	-	-	-	-
-	-	-	207,433	-	-	-	-	-	-	-
-	-	-	-	-	14,415	-	-	-	-	-
-	-	-	-	-	-	-	236,090	-	-	-
-	-	-	-	-	-	-	-	-	449,451	-
-	-	-	-	-	-	(348,598)	-	(39,015)	-	-
10,913	44,677	68,633	407,433	4,915	14,415	(141,798)	236,090	(39,015)	449,451	-
\$ 231,529	\$ 65,533	\$ 70,658	\$ 418,821	\$ 4,915	\$ 14,415	\$ 230,675	\$ 243,576	\$ 156,969	\$ 494,355	-

(continued)

CITY OF LE MARS, IOWA  
COMBINING BALANCE SHEET  
Governmental Nonmajor Funds  
JUNE 30, 2012

	Capital Project Funds				Permanent Fund Cemetery Perpetual Care Fund	Total Governmental Nonmajor Funds
	TIF Capital Projects	Joint Urban Renewal	Business Park	Storm Sewer Drainage Imp.		
<b>Assets</b>						
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,017,989
Investments	-	-	-	-	144,199	144,199
Receivables (Net, where applicable, of allowance for uncollectibles)						
Accounts	50,889	-	-	-	84	74,848
Taxes	-	-	-	-	-	4,166
Subsequent Year Taxes	-	-	-	-	-	590,158
Accrued Interest	-	-	-	-	-	1,808
Special Assessments	2,794	-	-	-	-	2,955
Pledges Receivable	-	-	-	-	-	51,600
Notes Receivable	-	532,958	-	-	-	1,094,758
Due from Other Governmental Agencies	100,312	-	-	-	-	342,486
<b>Total Assets</b>	<b>153,995</b>	<b>532,958</b>	<b>-</b>	<b>-</b>	<b>144,283</b>	<b>4,324,967</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable	17,062	-	-	553	-	85,735
Due to Other Funds	287,706	23,048	157,773	131,544	-	2,054,785
Deferred Revenue	2,426	-	-	-	-	157,694
Deferred Revenue - Subsequent Year Taxes	-	-	-	-	-	590,158
<b>Total Liabilities</b>	<b>307,194</b>	<b>23,048</b>	<b>157,773</b>	<b>132,097</b>	<b>-</b>	<b>2,888,372</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Notes Receivable	-	532,958	-	-	-	939,758
Perpetual Care	-	-	-	-	144,283	144,283
<b>Restricted for:</b>						
Road Surface Repairs	-	-	-	-	-	68,633
Employee Benefits	-	-	-	-	-	55,590
Tax Increment Financing	-	-	-	-	-	1,097,975
Low-Moderate Income Project	-	-	-	-	-	61,707
Law Enforcement	-	-	-	-	-	4,915
Local Option Sales Tax	-	-	-	-	-	207,433
Tree Farm	-	-	-	-	-	14,415
<b>Assigned for:</b>						
Capital Improvement	-	-	-	-	-	236,090
Capital Improvement and Facilities	-	-	-	-	-	449,451
<b>Unassigned</b>	<b>(153,199)</b>	<b>(23,048)</b>	<b>(157,773)</b>	<b>(132,097)</b>	<b>-</b>	<b>(1,843,655)</b>
<b>Total Fund Balances</b>	<b>(153,199)</b>	<b>509,910</b>	<b>(157,773)</b>	<b>(132,097)</b>	<b>144,283</b>	<b>1,436,595</b>
<b>Total Liabilities and Equity</b>	<b>\$ 153,995</b>	<b>\$ 532,958</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 144,283</b>	<b>\$ 4,324,967</b>

CITY OF LE MARS, IOWA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Governmental Nonmajor Funds  
For the Year Ended June 30, 2012

	Special Revenue Funds				
	Community Betterment	Westmar University TIF	CDBG Home Fund	CDBG Land Fund	Joint Urban Renewal TIF
Revenue:					
Taxes	\$ -	\$ 336,051	\$ -	\$ -	\$ 1,111,421
Other Taxes	-	-	-	-	-
Special Assessments	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-
Charges for Services	-	-	-	-	-
Contributions	51,648	-	-	-	-
Refunds/Reimbursements	-	-	-	-	-
Rental Income	-	-	-	-	-
Interest	-	-	609	4	-
Miscellaneous	-	-	-	-	-
Total Revenue	51,648	336,051	609	4	1,111,421
Expenditures:					
Public Safety	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Community and Economic Development	68,250	179,572	-	-	13,446
Capital Projects	39,699	-	-	-	-
Debt Service	-	-	-	-	-
Total Expenditures	107,949	179,572	-	-	13,446
Excess (deficiency) of revenues over expenditures	(56,301)	156,479	609	4	1,097,975
Other financing sources (uses):					
Transfers In	298,713	39,000	-	-	-
Transfers Out	(240,000)	(83,580)	-	-	-
Total other financing sources (uses)	58,713	(44,580)	-	-	-
Net Change in Fund Balance	2,412	111,899	609	4	1,097,975
Fund balances (deficits) -beginning of year	(598,852)	(505,384)	60,719	375	-
Fund balances (deficits) - end of year	\$ (596,440)	\$ (393,485)	\$ 61,328	\$ 379	\$ 1,097,975

Special Revenue Funds						Capital Project Funds			
Police Pension Fund	Unemployment	Road Use Tax	Local Option Sales Tax	Special Law Enforcement	Tree Farm	Industrial Park	Airport Runway Extension	Street Construction	Public Safety Building Improvement
\$ 214,429	\$ 22,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	988,790	-	-	-	-	-	-
-	-	-	-	-	-	-	-	772	-
-	-	924,391	17,500	-	-	-	211,165	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	2,115	1,000	-	-	-	-
-	-	-	-	-	-	23,875	72	57,297	16,092
-	-	-	-	-	-	-	-	-	-
-	-	-	463	5	-	-	-	5,425	-
-	-	-	-	-	-	-	-	-	50
214,429	22,032	924,391	1,006,753	2,120	1,000	23,875	211,237	63,494	16,142
210,771	-	-	-	4,957	-	-	-	-	-
-	-	-	-	-	7,615	-	-	-	-
-	-	-	236,698	-	-	-	-	-	-
-	-	649,259	-	-	-	120,215	262,675	58,332	35,444
-	-	-	-	-	-	-	-	-	-
210,771	-	649,259	236,698	4,957	7,615	120,215	262,675	58,332	35,444
3,658	22,032	275,132	770,055	(2,837)	(6,615)	(96,340)	(51,438)	5,162	(19,302)
-	-	-	-	-	-	-	-	-	404,580
-	-	(370,000)	(735,338)	-	-	-	-	-	-
-	-	(370,000)	(735,338)	-	-	-	-	-	404,580
3,658	22,032	(94,868)	34,717	(2,837)	(6,615)	(96,340)	(51,438)	5,162	385,278
7,255	22,645	163,501	372,716	7,752	21,030	(45,458)	287,528	(44,177)	64,173
\$ 10,913	\$ 44,677	\$ 68,633	\$ 407,433	\$ 4,915	\$ 14,415	\$ (141,798)	\$ 236,090	\$ (39,015)	\$ 449,451

(continued)



CITY OF LE MARS, IOWA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Governmental Nonmajor Funds  
For the Year Ended June 30, 2012

	Capital Project Funds				Permanent Fund	Total Governmental Nonmajor Funds
	TIF Capital Projects	Joint Urban Renewal	Business Park	Storm Sewer Drainage Imp.	Cemetery Perpetual Care Fund	
Revenue:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,683,933
Other City Taxes	-	-	-	-	-	988,790
Special Assessments	4,428	-	-	-	-	5,200
Intergovernmental Revenue	100,312	-	-	-	-	1,253,368
Charges for Services	-	-	-	-	1,848	1,848
Contributions	-	-	-	-	-	54,763
Refunds/Reimbursements	50,889	10,043	-	-	-	158,268
Rental Income	3,600	-	-	-	-	3,600
Interest	-	-	-	-	-	6,506
Miscellaneous	-	-	-	-	-	50
Total Revenue	159,229	10,043	-	-	1,848	4,156,326
Expenditures:						
Public Safety	-	-	-	-	-	215,728
Culture and Recreation	-	-	-	-	-	7,615
Community and Economic Development	-	-	-	-	-	497,966
Capital Projects	573,425	27,998	22,145	131,452	-	1,920,644
Debt Service	20,000	-	-	-	-	20,000
Total Expenditures	593,425	27,998	22,145	131,452	-	2,661,953
Excess (deficiency) of revenues over expenditures	(434,196)	(17,955)	(22,145)	(131,452)	1,848	1,494,373
Other financing sources (uses):						
Transfers In	289,000	289,000	-	225,000	-	1,545,293
Transfers Out	-	-	-	-	-	(1,428,918)
Total other financing sources (uses)	289,000	289,000	-	225,000	-	116,375
Net Change in Fund Balance	(145,196)	271,045	(22,145)	93,548	1,848	1,610,748
Fund balances (deficits) -beginning of year	(8,003)	238,865	(135,628)	(225,645)	142,435	(174,153)
Fund balances (deficits) - end of year	<u>\$ (153,199)</u>	<u>\$ 509,910</u>	<u>\$ (157,773)</u>	<u>\$ (132,097)</u>	<u>\$ 144,283</u>	<u>\$ 1,436,595</u>

CITY OF LE MARS, IOWA  
COMBINING STATEMENT OF NET ASSETS  
Enterprise Nonmajor Funds  
JUNE 30, 2012

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 306,577	\$ -	\$ 306,577
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	28,802	10,151	38,953
Estimated Unbilled Usage	-	20,403	10,013	30,416
Prepaid Assets	1,609	-	-	1,609
Total Current Assets	1,609	355,782	20,164	377,555
Noncurrent Assets:				
Land	290,538	-	-	290,538
Construction in Progress	11,365	-	-	11,365
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	2,679,159	65,946	993,678	3,738,783
Total Noncurrent Assets	2,981,062	65,946	993,678	4,040,686
<b>Total Assets</b>	<b>2,982,671</b>	<b>421,728</b>	<b>1,013,842</b>	<b>4,418,241</b>
<b>LIABILITIES</b>				
Accounts Payable	11,705	20,852	-	32,557
Due to Other Funds	28,766	-	4,106	32,872
Unearned Revenue	8,700	-	-	8,700
Total Current Liabilities	49,171	20,852	4,106	74,129
Noncurrent Liabilities:				
Due within one year:				
Capital Lease	9,671	-	-	9,671
Due in more than one year:				
Capital Lease	36,236	-	-	36,236
Total Noncurrent Liabilities	45,907	-	-	45,907
<b>Total Liabilities</b>	<b>95,078</b>	<b>20,852</b>	<b>4,106</b>	<b>120,036</b>
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	2,935,155	65,946	993,678	3,994,779
Unrestricted	(47,562)	334,930	16,058	303,426
<b>Total Net Assets</b>	<b>\$ 2,887,593</b>	<b>\$ 400,876</b>	<b>\$ 1,009,736</b>	<b>\$ 4,298,205</b>

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Enterprise Nonmajor Funds**  
**For the Year Ended June 30, 2012**

	<b>Business Type Activities</b>			
	<b>Golf Course</b>	<b>Solid Waste</b>	<b>Storm Sewer</b>	<b>Total</b>
<b>Operating Revenues:</b>				
Charges for Services	\$ 377,510	\$ 638,386	\$ 213,116	\$ 1,229,012
<b>Total Operating Revenue</b>	<u>377,510</u>	<u>638,386</u>	<u>213,116</u>	<u>1,229,012</u>
<b>Operating Expenses:</b>				
Contract Services	205,201	521,240	-	726,441
Supplies	97,512	6,025	-	103,537
Repairs and Improvements	16,218	-	14,159	30,377
Utilities	19,427	-	-	19,427
Miscellaneous	4,267	2,880	-	7,147
Depreciation	116,144	27,919	37,159	181,222
<b>Total Operating Expenses</b>	<u>458,769</u>	<u>558,064</u>	<u>51,318</u>	<u>1,068,151</u>
<b>Operating Income (Loss)</b>	(81,259)	80,322	161,798	160,861
<b>Non-Operating Income:</b>				
Refunds and Reimbursements	2,900	-	-	2,900
Revenue from Use of Property	30,250	-	-	30,250
Interest Expense	(3,297)	-	-	(3,297)
<b>Total Non-Operating Income</b>	<u>29,853</u>	<u>-</u>	<u>-</u>	<u>29,853</u>
<b>Income (Loss) before Contributions and Transfers</b>	(51,406)	80,322	161,798	190,714
<b>Contributed Capital</b>	11,365	-	188,182	199,547
<b>Transfers In</b>	2,102	-	-	2,102
<b>Transfers (Out)</b>	<u>(30,041)</u>	<u>(50,000)</u>	<u>(225,000)</u>	<u>(305,041)</u>
<b>Change in Net Assets</b>	(67,980)	30,322	124,980	87,322
<b>Net Assets - Beginning</b>	<u>2,955,573</u>	<u>370,554</u>	<u>884,756</u>	<u>4,210,883</u>
<b>Net Assets - Ending</b>	<u>\$ 2,887,593</u>	<u>\$ 400,876</u>	<u>\$ 1,009,736</u>	<u>\$ 4,298,205</u>

**CITY OF LE MARS, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Enterprise Nonmajor Funds**  
**For the Year Ended June 30, 2012**

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 373,160	\$ 634,854	\$ 211,274	\$ 1,219,288
Cash Paid to Suppliers for Goods and Services	(350,307)	(540,462)	-	(890,769)
Other Nonoperating Income	33,150	-	-	33,150
Net Cash Provided by Operating Activities	56,003	94,392	211,274	361,669
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and Construction of Capital Assets	(72,206)	-	-	(72,206)
Interest Paid on Notes and Bonds	(3,298)	-	-	(3,298)
Net Cash (Used) for Capital and Related Financing Activities	(75,504)	-	-	(75,504)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers (To) Other Funds	(27,939)	(50,000)	(225,000)	(302,939)
Due From (To) Other Funds	28,767	-	4,106	32,873
Net Cash Provided (Used) for Non-Capital Financing Activities	828	(50,000)	(220,894)	(270,066)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Net Increase (Decrease) in Cash and Cash Equivalents	(18,673)	44,392	(9,620)	16,099
Cash and Cash Equivalents at Beginning of Year	18,673	262,185	9,620	290,478
Cash and Cash Equivalents at End of Year	\$ -	\$ 306,577	\$ -	\$ 306,577
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Net Operating Income (Loss)	\$ (81,259)	\$ 80,322	\$ 161,798	\$ 160,861
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	116,144	27,919	37,159	181,222
Miscellaneous Non-Cash Expense	-	-	14,159	14,159
Miscellaneous Non-Operating Income	33,150	-	-	33,150
(Increase) Decrease in Assets:				
Accounts Receivable	-	(1,613)	(820)	(2,433)
Estimated Unbilled Usage	-	(1,919)	(695)	(2,614)
Prepaid Expenses	(43)	-	-	(43)
Deferred Revenue	(4,350)	-	-	(4,350)
Increase (Decrease) in Liabilities:				
Accounts Payable	1,485	(10,317)	(327)	(9,159)
Capital Lease Payable	(9,124)	-	-	(9,124)
Total Adjustments	137,262	14,070	49,476	200,808
Net Cash Provided by Operating Activities	\$ 56,003	\$ 94,392	\$ 211,274	\$ 361,669

CITY OF LE MARS, IOWA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Agency Fund  
For the Year Ended June 30, 2012

	Balance			Balance
	July 1, 2011	Additions	Deductions	June 30, 2012
<b><u>FLEX</u></b>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 9,410	\$ 37,910	\$ 38,783	\$ 8,537
Total Assets	9,410	37,910	38,783	8,537
<u>Liabilities</u>				
Accounts Payable	9,410	37,910	38,783	8,537
Total Liabilities	\$ 9,410	\$ 37,910	\$ 38,783	\$ 8,537

## CITY OF LE MARS, IOWA

TABLE I

## Principal Taxpayers

TAXPAYER	TYPE OF BUSINESS	1/1/10 VALUATIONS FOR TAXES PAYABLE FY 12	PERCENTAGE OF TOTAL ESTIMATED ACTUAL VALUE
WELLS DAIRY, INC.	COMMERICAL DAIRY	\$54,875,028	7.88%
MID AMERICAN ENERGY	UTILITY COMPANY	28,277,050	4.06%
WD 2005 SPE LLC (WELLS CORPORATE)	CORPORATE HEADQUARTERS	24,509,110	3.52%
NOR-AM COLD STORAGE INC.	COLD STORAGE FACILITY	14,639,341	2.10%
BODEANS BAKING COMPANY	COMMERCIAL BAKERY	9,088,790	1.31%
WAL-MART STORES INC.	DISCOUNT RETAIL STORE	8,813,550	1.27%
STEVE SCHUSTER	COMMERCIAL TRUCKING	5,609,641	0.81%
LE MARS PUBLIC STORAGE	COMMERCIAL STORAGE	5,200,970	0.75%
CCS REALTY CO. (CLOVERLEAF)	COLD STORAGE FACILITY	4,631,880	0.67%
ILP ONE MASTER, LLC (BEKINS)	COLD STORAGE FACILITY	4,381,510	0.63%
TOTAL		\$160,026,870	22.98%
ALL OTHERS		536,372,508	77.02%
		<u>\$696,399,378</u>	<u>100.00%</u>

TABLE II

## Computation of Legal Debt Margin

June 30, 2012

2011-12 ACTUAL VALUATION:	\$696,399,378	
LESS: MILITARY EXEMPTION	<u>(1,001,932)</u>	
	695,397,446	
DEBT LIMIT - 5% OF ESTIMATED ACTUAL VALUATION		\$34,769,872
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		
GENERAL OBLIGATION DEBT	13,322,000	
* OTHER DEBT	<u>12,357,000</u>	
	25,679,000	
LESS:		
* REVENUE BONDS/NOTES	<u>12,357,000</u>	
	13,322,000	
AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL OBLIGATION DEBT	<u>6,015,459</u>	
TOTAL DEBT APPLICABLE TO DEBT LIMIT		<u>7,306,541</u>
LEGAL DEBT MARGIN		<u>\$27,463,331</u>

\*Includes Floyd Valley Hospital (Discrete Component Unit).

**CITY OF LE MARS, IOWA**  
**TABLE III**  
**Miscellaneous Statistics**  
**June 30, 2012**

Date of Incorporation	1881
Date City was Platted	1869
Form of Government	Mayor - Council
Population (2010 Census)	9826
Term of Office:	
Mayor	2
Council Members	4
City Administrator	appointed by Council
Number of Employees:	
Regular Full Time	55
Regular Part Time	6
Fire	31
Ambulance	25
Area in Square Miles	8.54
Miles of Streets	70
Percent of Streets Paved	99%
Number of Street Lights	807
Building Permits 2012-2012	124
Total Building Permits Less	
Demolition and Moving	7
New Single and Multi-Family Dwellings	17
Municipal Water System:	
Number of Wells	6
Number of Fire Hydrants	623
Number of Customers	4173
Storage Capacity (Gallons)	2,500,000
Average Daily Consumption (Gallons)	2,847,000
Peak Daily Consumption (Gallons)	5,150,000
Miles of Water Main	76
Sewer System:	
Miles of Sanitary Sewer	52
Miles of Storm Sewer	11
Number of Sanitary Sewer Customers	4,003
Average Daily Sewer Usage (Gallons)	2,560,000
Peak Load (Gallons)	4,256,000
Design Flow	28,000 lbs per day
Number of Lift Stations	8
Number of Treatment Plants	1
Culture and Recreation:	
Number of Parks	14
Number of Libraries	1
Number of Volumes	38,923
Golf Courses (27 Holes)	1
Swimming Pools	2
Tennis Courts	7
Campgrounds	1
Softball / Baseball Fields	11
Theatre	2
Art Center	1
Recreation Building	1
Fire Stations	2
Police Stations	1
Airports	1
Convention Center	1

## SUPPLEMENTARY INFORMATION



**CITY OF LE MARS, IOWA**  
**Schedule of Expenditures of Federal Awards (Cash Basis)**  
**Year Ended June 30, 2012**

	CFDA Number	Project/Contract Number	Federal Expenditures
<b>Direct:</b>			
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program	20.106	AIP #3-19-0127-08	\$ 207,022
Airport Improvement Program	20.106	AIP #3-19-0127-07	8,545
Total Direct			<u>215,567</u>
<b>Indirect:</b>			
DEPARTMENT OF TRANSPORTATION:			
Passed through the Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-4257(627)	189,581
Highway Planning and Construction	20.205	STP-U-4257(626)	240,000
Highway Planning and Construction	20.205	STP-003-1(83)--2C-75	161,979
			<u>591,560</u>
Passed through the Governor's Traffic Safety Bureau:			
Iowa Department of Public Safety:			
Alcohol Incentive Grant	20.601	PAP 10-410, Task 45	2,453
State and Community Highway Safety Grant	20.600	PAP 12-04, Task 11	17,099
			<u>19,552</u>
DEPARTMENT OF THE INTERIOR			
Passed through the Iowa Department of Cultural Affairs:			
State Historical Society of Iowa:			
Historic Preservation Fund Grants-In-Aid	15.904	2011-06	16,495
			<u>16,495</u>
Total Indirect			<u>627,607</u>
Total Expenditures of Federal Awards			<u>\$ 843,174</u>

Note 1 - **Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Le Mars, Iowa, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**CITY OF LE MARS, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

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**Part I: Summary of the Independent Auditors' Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were are follows:
  - CFDA #20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Le Mars did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weakness:**

**II-A-12 Financial Reporting**

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not identified by the City. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables, payables and capital assets.

Conclusion – Response accepted.

CITY OF LE MARS, IOWA  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

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**Part III: Findings and Questioned Costs for Federal Awards**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weakness:**

III-A-12    Grant/SEFA Administration

Observation – During the audit, we identified adjustments necessary for the Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the City to properly include all amounts and information in the Schedule of Expenditures of Federal Awards.

Recommendation – The City should implement procedures to ensure all federal grants are identified and included in the City's Schedule of Expenditures of Federal Awards at the appropriate amounts.

Response – The City understands the nature of the weakness and will develop procedures to ensure all grant information is properly included in the Schedule of Expenditures of Federal Awards.

Conclusion – Response accepted.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-12 - Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the culture and recreation and debt service functions.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

IV-B-12 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-12 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF LE MARS, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2012**

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**Part IV: Other Findings Related to Statutory Reporting (Continued):**

IV-D-12 - Business Transactions - Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>	
Greg Smidt, City of Le Mars, Police Officer	Labor, Material	\$2,125	(2)
Gus Pech Manufacturing Co., Inc., Cris Collins, President, spouse of employee	Supplies	\$7,197	(2)
Mother Nature Greenhouse, Owned by spouse of Employee, Gayle Sitzmann	Plants	\$3,125	(2)
Collins Farms, Cris Collins, Part-Owner, Spouse of Employee	Land	\$87,780	(2)
Ludwig, Bruce, Le Mars Broadband Telecommunications Member	Maintenance Contract	\$1,200	(1)
Motor Inn, Owned by Spouse of Ambulance Employee, Jolynn Ohm	Vehicle Repair	\$12,149	(2)
R&R Enterprises Employee, Dale Reichle	Grave work	\$21,950	(2)
The Education Station, Owned by Ambulance Employee, John MacGregor	Supplies	\$7,475	(2)

- (1) The transaction does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the year, per Chapter 362.5(3)(j) of the code of Iowa.
- (2) This transaction may represent a conflict of interest and the City should contact legal council for determination.

IV-E-12 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-12 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

IV-G-12 - Revenue Bonds - No violations of revenue bond resolutions were noted.

IV-H-12 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council  
City of Le Mars, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Le Mars, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City of Le Mars, Iowa's basic financial statements and have issued our report thereon dated January 22, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Floyd Valley Municipal Hospital, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control over Financial Reporting:***

Management of the City of Le Mars, Iowa, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

***Compliance and Other Matters:***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of management, City Council, others with the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 22, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Mayor and Members of the  
City Council  
Le Mars, Iowa

**Compliance**

We have audited the City of Le Mars, Iowa (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2012. The City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-A-12 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. However, as discussed above, we identified a certain deficiency in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and accordingly, we express no opinion on them.

The purpose of this report is to provide an opinion on the City's compliance with the compliance requirements that could have a direct and material effect on each of its major federal programs. The purpose is also to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major federal program, and the result of that testing, but not to provide an opinion on the effectiveness of internal control over compliance. Accordingly, this report is not suitable for any other purpose.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
January 22, 2013





# CITY OF LE MARS, IOWA

40 CENTRAL AVENUE SE • LE MARS, IOWA 51031 • PHONE: (712) 546-7018 • FAX: (712) 548-4976

## Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2012

### Department of Transportation

The City of Le Mars, Iowa, respectfully submits the following corrective action plan for the year ended June 30, 2012.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2012.

The findings from the June 30, 2012 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### MATERIAL WEAKNESS:

#### III-A-12 - Grant/SEFA Administration

Observation – During the audit we identified adjustments necessary for the Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the City to properly include all amounts and information in the Schedule of Expenditures of Federal Awards.

Recommendation – The City should implement procedures to ensure all federal grants are identified and included in the City's Schedule of Expenditures of Federal Awards at the appropriate amounts.

Response – The City understands the nature of the weakness and will develop procedures to ensure all grant information is properly included in the Schedule of Expenditures of Federal Awards.

If the Department of Transportation has questions regarding this plan, please call Bill Cole at 712-546-7018.

Sincerely yours,

CITY OF LE MARS, IOWA

Bill Cole, Director of Finance